



Annual Implementation Report

Executive Summary

Energy Community Secretariat

1 November 2023

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Energy Community Secretariat
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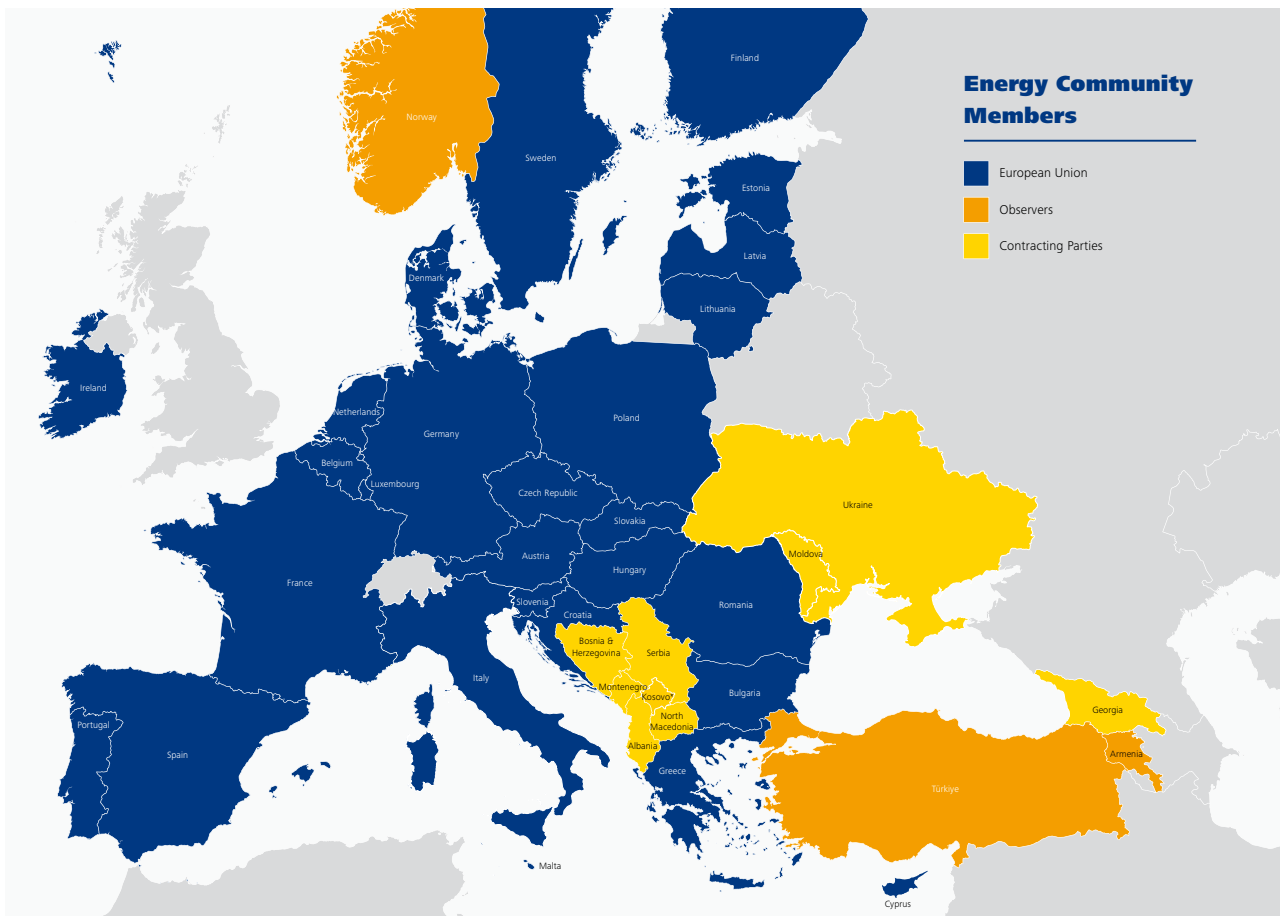


01 About us

a. Presenting the Energy Community

The Energy Community extends the European Union (EU) internal energy market to its neighbouring countries. The principle objectives of the Energy Community are to create a regulatory

and market framework which is capable of attracting investments for a stable and continuous energy supply. By signing the Energy Community Treaty, the Contracting Parties committed to implementing key EU energy legislation within a fixed timeframe.



b. Members

The Treaty establishing the Energy Community was signed in October 2005 in Athens. Following ratification by all Parties, the Treaty entered into force on 1 July 2006. As of 1 November 2023, the Parties to the Treaty are the European Union, and nine Contracting Parties, namely Albania, Bosnia and Herzegovina, Georgia, Kosovo*,¹ North Macedonia, Moldova, Montenegro, Serbia and Ukraine. Armenia, Norway and Türkiye are Observers under Article 96 of the Treaty.

c. Institutional setting

The Energy Community has its own institutional framework. The highest decision-making body is the Ministerial Council, which meets once a year to establish key priorities and adopt new legislation.

The Energy Community Secretariat, based in Vienna, is independent and performs the day-to-day work of the Community. The Secretariat is responsible for reviewing the progress made by the countries in transposing and implementing European energy law incorporated by the Energy Community Treaty.

¹ Throughout this Implementation Report, this designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.



02 State of Implementation

Once again, the passing year saw the Energy Community entering new territory while staying true to its mission. The three key words defining 2023 were solidarity, integration and transition.

Solidarity, because the Energy Community continues to firmly stand behind its largest member, Ukraine, whose energy system remains under constant attack by the Russian invaders. At the Secretariat, we have reinforced our efforts to get Western equipment to where it is needed, we operate one of the largest and most efficient Funds procuring support on demand of Ukrainian energy companies, and facilitate the preparation of their lawsuits against the Russian aggressors. And all the while, we assist Ukraine in fast-tracking market reforms and observe the progress, showcased to international partners and investors under the umbrella of a market observatory established for that purpose.

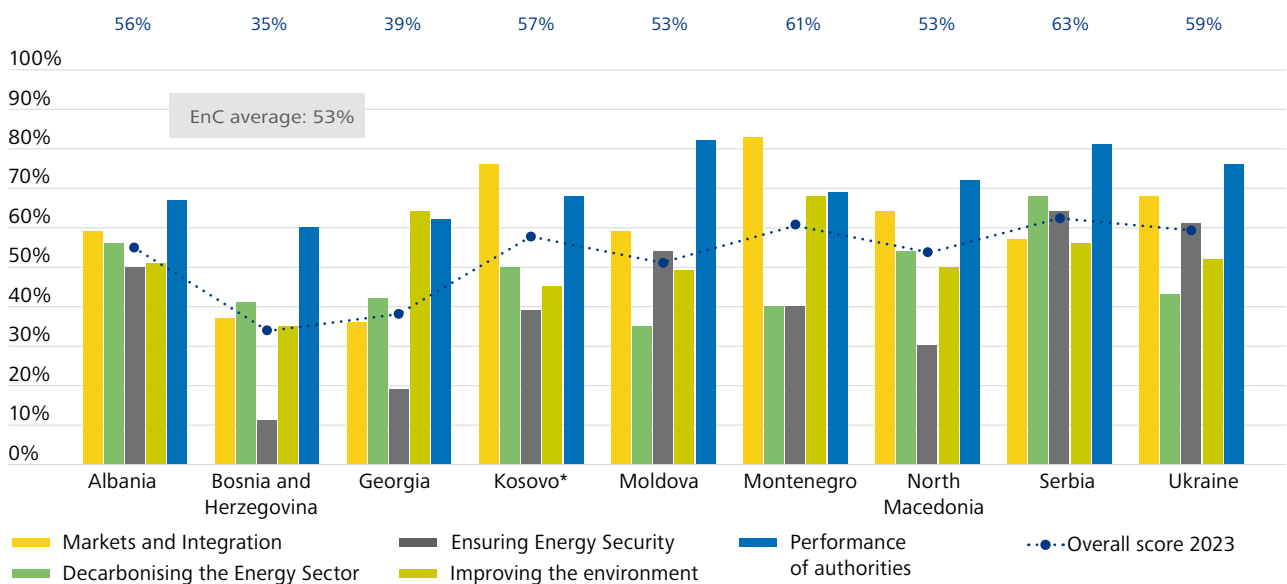
Integration, because the Energy Community finally lives up to its original promise: to create a true energy market with the EU based on reciprocity and a level playing field. The electricity sector pioneers this development, based on the Electricity Integration Package adopted by the Ministerial Council in 2022. Once applied, it will include the Contracting Parties in the single day-ahead coupling, the single intraday coupling, the balancing platforms and the security of supply system established within

the European Union. Although yielding the full economic and security benefits for the EU and Contracting Parties from market coupling will require more efforts in years to come, the path of further energy integration is irreversible, taking into account an unambiguous EU enlargement perspective.

Transition, because the Energy Community delivers on the goals enshrined in the 2021 Decarbonisation Roadmap. Over the last months, renewable energy generation incentivized by market-based support schemes and auctions continued to attract investors to the Contracting Parties. The 2030 targets adopted last year guide the National Energy and Climate Plans (NECPs), the drafts of which are being submitted to the Secretariat for review. And finally, the introduction by the European Union of the carbon border adjustment mechanism (CBAM) underpinned the need to make progress on carbon pricing, the key instrument of the EU climate policy. The discussion about the appropriate design of such a system, possibly resulting in yet another integration milestone for the Energy Community and the EU, will continue during next year.

Harnessing these new opportunities and mastering the challenges depends on a solid foundation: implementation of the *acquis communautaire*. Without a sound legal framework, investors in renewables will not feel comfortable to expand in

Overview of Implementation Performance by Contracting Parties



the jurisdictions of the Contracting Parties, without increased efforts to transpose the Electricity Integration Package, market coupling will remain but a vision and without taking climate and environmental commitments seriously, the Green Deal will stop at the borders of a European Union which decided to charge for carbon leakage. The importance of timely transposition and full implementation even increases now that the Contracting Parties' energy stakeholders do not operate in a parallel system but are expected to comply with processes applied and bodies created within the European Union. Their relevance for the Energy Community has increased: The Agency for the Coordination of Energy Regulators (ACER), for instance was tasked to act "in the interest of the Energy Community as a whole" by a Procedural Act adopted at the end of 2022.

This year's Implementation Report features a number of changes, most notably a clustering of the areas which matter for the Energy Community: Markets and Integration, Decarbonising the Energy Sector, Ensuring Energy Security, Improving the Environment and Performance of the Authorities. What remains constant is a true and fair view of each Contracting Party's progress in the journey to become fully integrated members of Energy Europe. Among other factors, the relative changes in the Contracting Parties' implementation performance compared to last year are due to the entry into force of parts of the Clean Energy Package at the end of 2022. The Electricity Integration Package, to be transposed by 1 January 2024, will be reflected in next year's assessment. Enjoy the read.



Artur Lorkowski



Dirk Buschle



03 Focus: Electricity Integration Package

The commitment of the Energy Community Contracting Parties and the European Union to fully integrate Contracting Parties' markets into the EU internal electricity market based on reciprocity was sealed by the adoption of the Electricity Integration Package by the Ministerial Council of the Energy Community in December 2022.

Incorporating the European Union's electricity market acquis in the Energy Community, the Electricity Integration Package consists of nine legal acts underpinned by the Procedural Act on Regional Market Integration, which establishes reciprocity between the energy sector stakeholders of the Contracting Parties and the EU Member States.

Transposition – an ultimate precondition

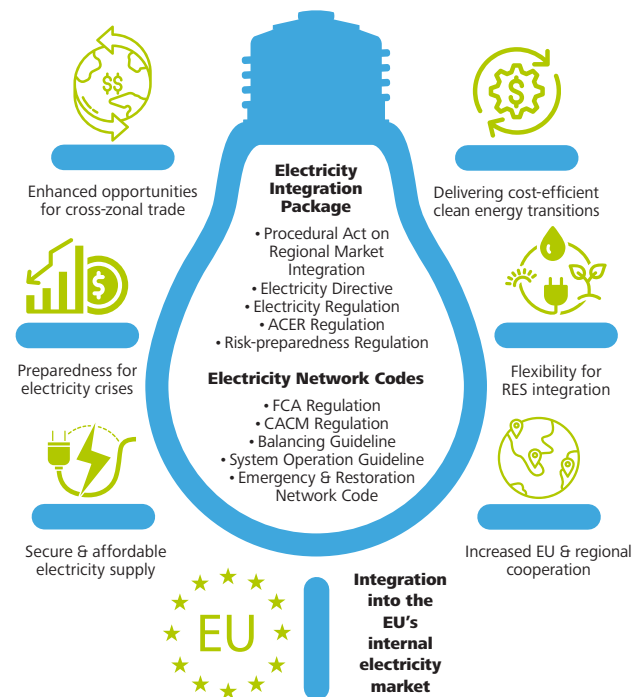
With 31 December 2023 as the deadline, the transposition of the Electricity Integration Package into the national legislation was in the focus of the Energy Community's activities throughout 2023.

The Contracting Parties commenced the transposition of the Electricity Integration Package with consultancy support provided by the European Union under the EU4Energy project, other donors or by the Secretariat. However, up to date none of the Contracting Parties was able to complete this challenging task. While the Secretariat received draft primary legislation submitted by Serbia and Ukraine, the other Contracting Parties are still to develop. Delays in transposition are to be expected for all Contracting Parties. In addition, the need to subsequently develop and adopt secondary legislation will further delay full transposition, and the start of the implementation. As a precondition for the integration into the EU internal electricity market, the transposition of the new Electricity Integration Package must speed up and be completed in a fully compliant manner. Full harmonisation with the EU rules, including ACER's decision-making power on the borders between EU Member States and the Contracting Parties, is required for the Contracting Parties' stakeholders to join the EU's electricity market and projects such as the single day-ahead (SDAC) or intraday market coupling (SIDC).

Implementation – impossible without regional cooperation

Along with the transposition, some elements of implementation of the Electricity Integration Package were already due during 2023. In accordance with the Commission Regulation (EU) 2015/1222 establishing a Guideline on Capacity Allocation

and Congestion Management (CACM), as adapted and adopted in the Energy Community, the Contracting Parties were required to notify the Secretariat by 15 February in case of the existence of a national legal monopoly for day-ahead and intraday trading services. Further to this, Contracting Parties were obliged to ensure that at least one nominated electricity market operator (NEMO) is designated to perform the single day-ahead and intraday coupling by 15 June 2023. With delay, Albania, Kosovo*, North Macedonia and Serbia have informed the Secretariat of a NEMO designation.



At European level, a plan setting out a timeline and detailed description of the Contracting Parties' NEMOs integration into Market Coupling Operator (MCO) functions, the so-called MCO Integration Plan, was initiated by all EU Member States' NEMOs. The draft MCO Integration Plan will be submitted for ACER's approval by 15 December 2023.

Furthermore, the CACM established capacity calculation regions (CCRs) in the Energy Community, namely Eastern Europe (EE), Italy-Montenegro and Shadow South-East Europe (Shadow SEE). The CCRs include bidding zone borders with neighbouring EU Member States. Transmission system operators of the respective CCRs should have submitted coordinated capacity calculation methodologies, along with cooperation agreements within the Shadow SEE and the EE CCR by 15 June 2023. Discussions in the Energy Community Task Force within ENTSO-E on a possible reconfiguration of the established CCRs are delaying their

operationalisation. This also affects other milestones depending on the establishment of the CCRs, including operationalisation of system operation regions, regional coordination centers and the implementation of Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector.

Moreover, the implementation of the Commission Regulation (EU) 2016/1719 establishing a Guideline on Forward Capacity Allocation should have already started. All transmission system operators were expected to apply EU harmonized allocation rules by 15 June 2023, and were required to submit to all national regulatory authorities requirements for the regional allocation platform serving the transmission system operators of Contracting Parties. By 31 December 2023, transmission system operators of Contracting Parties and neighbouring EU Member State are expected to conclude bilateral agreements on whether the forward capacity allocation for bidding-zone borders between two transmission system operators will be performed by the regional allocation platform (SEE CAO) or the single European allocation platform (JAO).

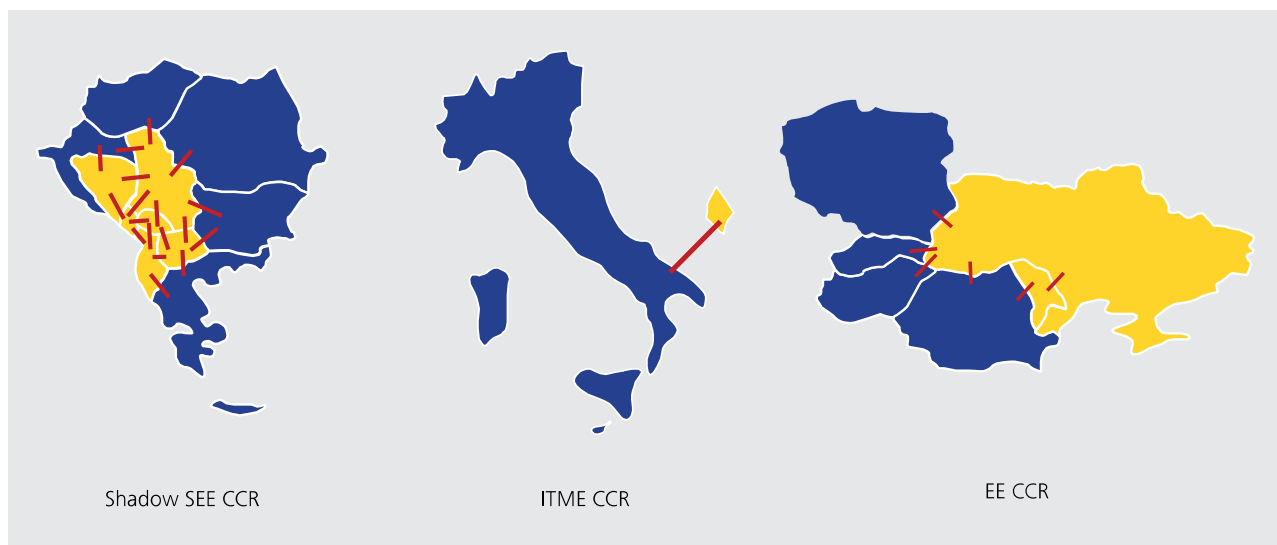
According to the Commission Regulation (EU) 2017/2195 establishing a Guideline on Electricity Balancing, each transmission system operator was required to submit national terms and

conditions for balancing to their regulator for approval by 15 June 2023. Unfortunately no such rules have been approved. Furthermore, no European, regional or national terms, conditions and methodologies defined by the Electricity Integration Package have been submitted for approval.

The timeline for Contracting Parties to adhere to the SDAC and SIDC will de facto also be driven by the CBAM Regulation, which requires the market coupling to be completed by the end of 2025 as one of the preconditions for obtaining an exemption for imports into the EU.

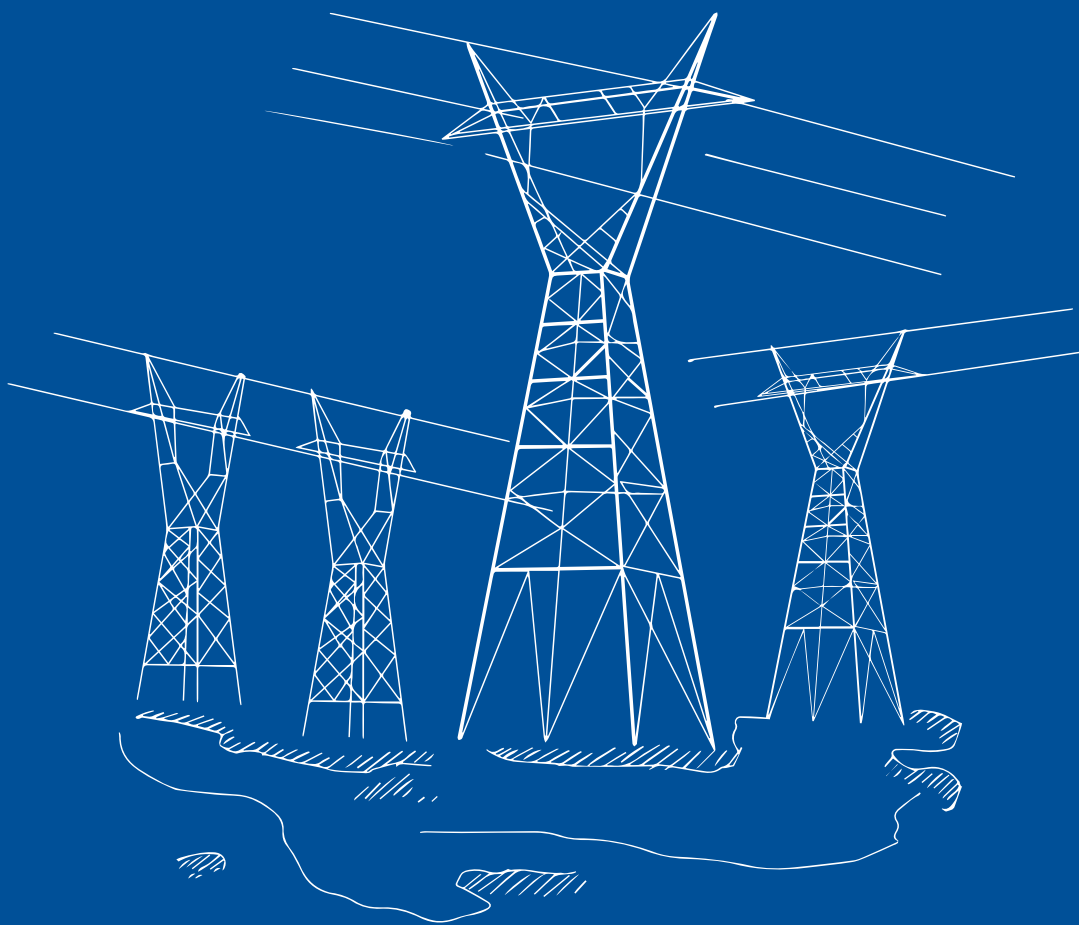
Ultimately, the progress towards integration into the European SDAC and SIDC will largely depend on the transmission system operators' cooperation on a regional and European level, as a basic building block of the Electricity Integration Package. They will not achieve market coupling in opposition to each other and risk foregoing significant welfare gains for their respective economies if implementation is not managed in cooperation and good faith.

Configuration of capacity calculation regions in the Energy Community



04

Albania








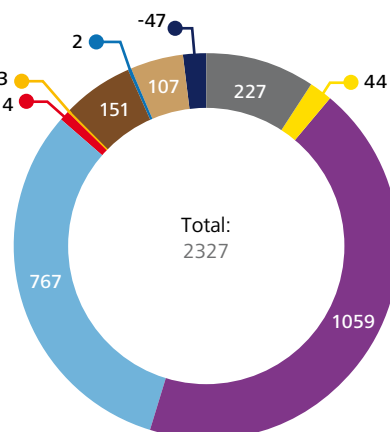
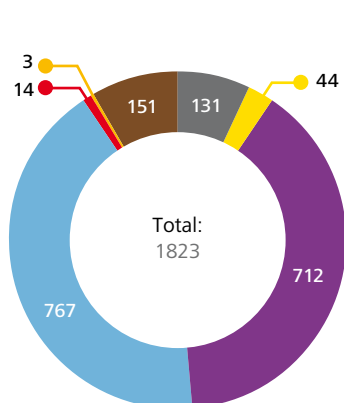
Albania

IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 Markets and integration	 58%	A day-ahead electricity market was launched by the power exchange ALPEX in April 2023. Albania should proceed with the opening of the intraday electricity market along with the transposition and implementation of the Electricity Integration Package as a precondition for market coupling. Albania should implement the certification conditions for Albgaz to make it an operational gas transmission system operator.
 Decarbonising the energy sector	 56%	Albania revised the Renewables Law and established an operational registry for guarantees of origin for electricity. Albania should adopt the long-term building renovation strategy and complete the implementation of the Energy Efficiency Law.
 Ensuring energy security	 50%	Emergency state continues to be in force with the latest prolongation until 31 December 2023. Albania should transpose Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector and start its implementation with the designation of a competent authority.
 Improving the environment	 53%	Albania progressed further in the field of nature protection, with the designation of the Vjosa national park, a development that should be expanded to other areas.
 Performance of authorities	 66%	By approving the electricity market rules and appointing the NEMO, ERE created one of the prerequisites for further market integration in line with the Electricity Integration Package. Following up on REMIT transposition, ERE should closely monitor the electricity market and take enforcement actions, if needed.

2021 Fuel mix in primary production of energy (in ktoe)

2021 Gross available energy per product (in ktoe)



- Solid fossil fuels
- Natural gas
- Oil and petroleum products
- Hydro
- Solar thermal
- Solar photovoltaic
- Charcoal
- Primary solid biofuels
- Pure biodiesels
- Electricity

Source: EUROSTAT database



Albania

Markets and integration

ELECTRICITY

73%



UNBUNDLING

100%

The transmission system operator is unbundled and certified.

The distribution system operator is legally unbundled and functional unbundling was finalised in the reporting period. In March 2023, the compliance officer was approved. The compliance report for 2022 was submitted to the regulator and was published in October 2023. The open infringement case was closed.

of the emergency situation, which was extended until the end of 2023. As emergency measure, the electricity supplier FTL has an obligation to buy from KESH and sell electricity at the same price for covering distribution losses to the distribution system operator OSHH outside the market. This is not in compliance with Energy Community law and limits the potential for competition significantly.

The balancing market is operational and organised in a competitive manner with four balancing service providers.

ACCESS TO THE SYSTEM

76%

Access to and use of the system is in compliance with the Third Energy Package. Tariffs for the use of the transmission network are reviewed every three years. The distribution network tariffs are reviewed every year but were not changed for 2023.

The Connection Codes are transposed but their implementation is still to be completed. The transmission grid code was updated in 2022, but the distribution grid code from 2008 is still valid and needs to be updated.

The Transparency Regulation is transposed but implementation continues to lag behind with a limited set of data being published, in particular on balancing, actual generation and unavailability of consumption units.

The REMIT Regulation is transposed and implemented.

RETAIL MARKET

50%

All consumers in Albania are free to choose their supplier. The universal service supplier FSHU supplies all household and small consumers under regulated prices. As of 1 January 2022, consumers connected to 20 kV, 10 kV and 6 kV entered the liberalized market but were transferred to supply from the supplier of last resort for an initial 2-year period. The price of supply of last resort is based on incurred costs approved monthly by the regulator. The universal supplier FSHU acts as supplier of last resort until a tendering procedure takes place. Consumers connected to 35 kV and high voltage are supplied on the free market.

Vulnerable customers are defined by primary legislation and Government decisions provide financial support through compensations for electricity consumption.

WHOLESALE MARKET

69%

In December 2022, new electricity market rules governing trading procedures for short-term markets were approved. The day-ahead market in Albania was launched by the power exchange ALPEX on 12 April 2023. The go-live of the intraday market is still pending.

Electricity purchase and sale for the regulated activities of supply of last resort is executed on the day-ahead market but under contracts for difference and with price taking buy and sell orders. This approach limits free price formation and the development of competition. The state-owned production company KESH has an obligation to sell electricity to the supplier of last resort at a price below market price, determined by the Ministry as a shareholder. Additionally, KESH has a public service obligation to provide electricity for universal service and, as of July 2022, losses in the transmission network for the duration

REGIONAL INTEGRATION

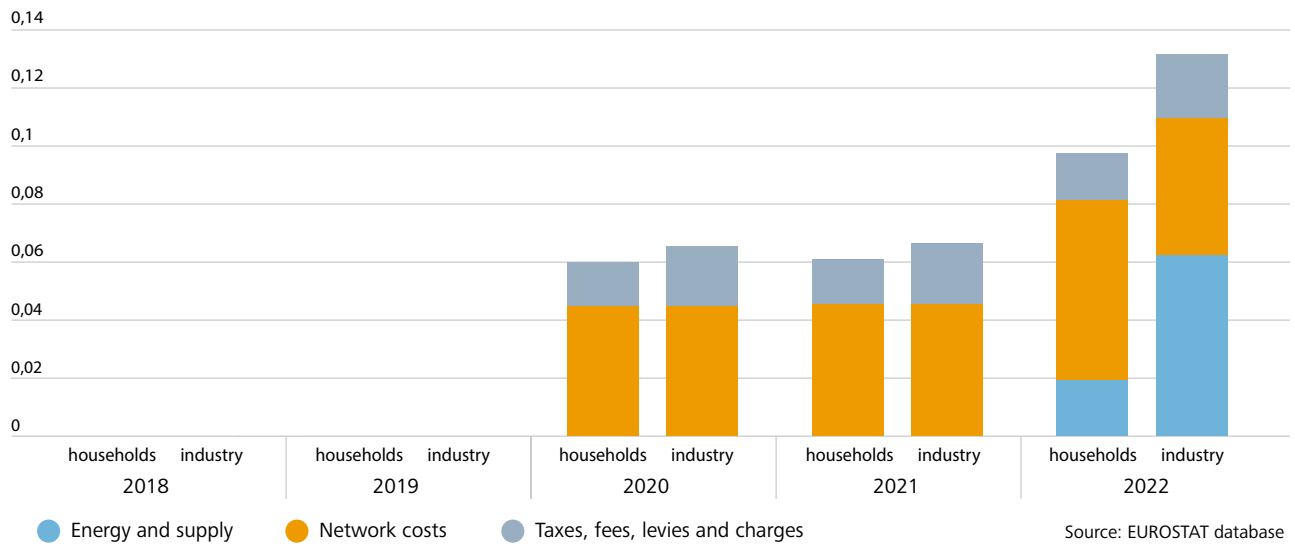
58%

The regional auction platform SEE CAO is used for the allocation of all cross-zonal capacities.

The Albania - Kosovo* control block cooperates on cross-border balancing. Albania and Kosovo* share secondary reserves based on yearly contracts.

The TEN-E Regulation (EU) 347/2013 is transposed, but no progress has been made in its implementation. The PECE project from 2018, the 400 kV OHL between Albania (Elbasan) and North Macedonia (Ohrid/Bitola), is still in the construction phase. Its completion faces organisational and financial obstacles.

Average annual prices of electricity for end users per component [EUR/kWh]





UNBUNDLING

71%

The Trans Adriatic Pipeline (TAP) is certified unbundled, in accordance with an exemption decision, under the independent transmission operator model. Albgaz, the national transmission system operator, is certified according to the ownership unbundling model. However, not all certification conditions, including the competence to take an investment decision, have been met.

ACCESS TO THE SYSTEM

50%

Network Codes are separately transposed by TAP and Albgaz. In practice, Albgaz's sole activity is to oversee TAP maintenance through a separate contract. The tariffs established for Albgaz services are not in line with the Tariff Network Code. TAP alone implements third party access in line with the exemption conditions. The framework for potential future LNG and storage system operators is in place.

WHOLESALE MARKET

23%

Albania lacks a national natural gas market. ERE has implemented the REMIT Regulation, including all required actions except for the market rules.

RETAIL MARKET

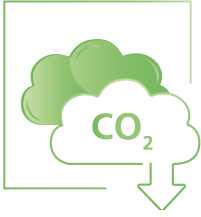
25%

Although there is no national gas market, secondary legislation regulating customer supply has been adopted.

REGIONAL INTEGRATION

21%

The TEN-E Regulation (EU) 347/2013 is transposed, but no progress has been made in its implementation. The Albania – Kosovo* Gas Pipeline (ALKOGAP) is a Project of Energy Community Interest (PECI). It has not been further developed recently. The Ionian Adriatic Pipeline (IAP) project, providing a backbone pipe in Albania, would serve as an enabler for ALKOGAP. However IAP, which is a Project of Mutual Interest (PMI) project at present, has also not matured recently.



Albania

Decarbonising the energy sector

GOVERNANCE / CLIMATE IMPLEMENTATION

55%



NATIONAL ENERGY AND CLIMATE PLANS

61%

The National Energy and Climate Plan (NECP) of Albania was adopted in December 2021. The work on the review continued in 2023 but was not finalized by the deadline set in the Governance Regulation. Albania should have submitted the new draft NECP for the Secretariat's assessment.

GREENHOUSE GAS 2030 TARGET

80%

Albania has not defined the 2030 climate target in national legislation, but has defined it in the NECP. It should consider amending its Climate Change Law, to align it with the 2030 targets set by the Energy Community.

NATIONAL SYSTEMS FOR CLIMATE REPORTING

67%

There is a legal basis for a national inventory system. At the end of 2022 the Government adopted a regulation for monitoring, reporting of greenhouse gas emissions and other information related to climate change at the national level.

Albania has not submitted a report on a national system for policies and measures and projections, as required by the adapted Governance Regulation.

NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

61%

Reporting obligations have been transposed in the legislation. Albania has nominated lead reporters for the Governance Regulation reporting activities. The reporting obligation was initiated, but no report has yet been submitted on policies and measures (PaMs), nor on adaptation strategies in the context of Reportnet system. No reporting was conducted on carbon revenues.

LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

25%

The legal basis for a long-term strategy has been adopted. However, Albania has not yet adopted a long-term strategy with a 2050 climate neutrality objective. It remains unclear if and how such an objective will be reached.

RENEWABLE ENERGY IMPLEMENTATION

59%



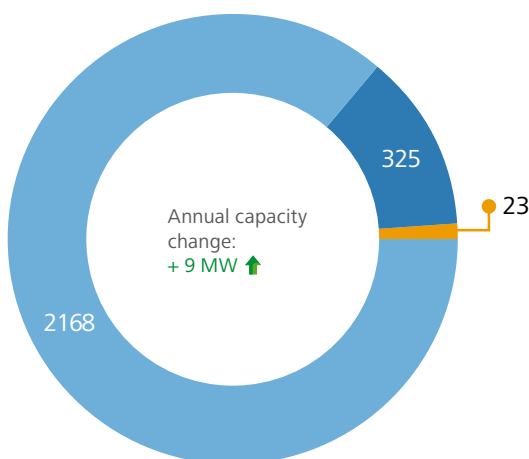
2030 RENEWABLE ENERGY TARGETS **88%**

The target of achieving a 54,4 % share of renewable energy in gross final energy consumption in the adopted National Energy and Climate Plan (NECP) is in line with the 2030 target set by the Energy Community and incorporated in the amended Renewable Energy Law. The overall 2030 renewable energy target is subdivided into sectorial targets for electricity (178,1%), transportation (34,6%), and heating and cooling (16,6%). The 2030 target for renewable energy in the heating and cooling sector is not as ambitious as required by Article 23 of Renewable Energy Directive (REDII). Following Article 26 of REDII, Albania adjusted its minimum target for renewable energy in transport to 7% by 2030.

QUALITY OF SUPPORT SCHEME **82%**

The amendments to the Renewables Law abandon administratively determined feed-in tariffs. Support for renewable energy electricity generation is now provided (or will be converted to) through a competitive process in the form of contract for difference (CfD) or contract for premium (CfP). Auctions for a fixed purchase price were held, with the intention of transitioning to CfD arrangements once a robust day-ahead market is established.

Total Capacities of Renewable Energy 2022 (MW)



- Large hydropower
- Small hydropower <10 MW
- Solar

Total capacities of renewable energy (MW):

2516

Source: Ministry of Infrastructure and Energy

SELF-CONSUMPTION AND ENERGY COMMUNITIES **75%**

There is a net metering in place, enabling consumers to operate renewable energy installations with a maximum capacity of 500 kW. Albania has incorporated changes into the Renewables Law, which outlines a transition to net billing for self-consumed renewables, scheduled to commence on 1 January 2024. These amendments guarantee the involvement of citizens in renewable energy communities while preserving their privileges and responsibilities as end consumers.

GUARANTEES OF ORIGIN **70%**

Within the framework of the regional project implemented by the Energy Community Secretariat, an electronic registry for guarantees of origin (GOs) was established for Albania. It became operational by regulator ERE in May 2023. The next critical milestone for achieving a fully operational GO system includes the adoption of disclosure rules and the calculation of the residual energy mix.

The amendments made to the Renewable Energy Law incorporated the necessary legal provisions for issuing GOs for all types of energy carriers, including renewable gas, and heating and cooling.

SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS **0%**

Albania's current legal framework does not conform to the sustainability and greenhouse gas emissions reduction criteria stipulated in REDII for biofuels, bioliquids, and biomass fuels. The criteria are expected to be incorporated into a separate law. Adoption of such a law is vital in guaranteeing that Albania's substantial utilization of biofuels, the highest among Contracting Parties, effectively contributes to achieving the 2030 RES target.

RENEWABLE ENERGY IN HEATING AND COOLING **25%**

There was no progress concerning the integration of renewable energy in the heating and cooling sector of Albania. To meet the requirement of increasing renewable energy by 1,1 percentage points, as set in Article 23 of REDII, the creation of the framework and measures for the integration of renewable energy, including heat pumps in individual heating systems is needed.

ENERGY EFFICIENCY IMPLEMENTATION

54%



2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

64%

Albania has taken steps towards energy efficiency and climate action with the introduction of its 2030 energy efficiency targets and associated policies and measures, outlined in the NECP adopted in February 2022. These measures, however, are not aligned with the 2030 targets set by the Energy Community.

During the reporting period, the Ministry of Infrastructure and Energy adopted new by-laws to implement the Energy Efficiency Law, covering aspects such as local energy efficiency action plans and building requirements. The drafting of further by-laws addressing key areas like monitoring and verification, energy efficiency obligations, and criteria for public procurement is ongoing. Their adoption remains pending.

To promote energy demand reduction within public institutions, the Government has imposed obligatory measures, requiring a 15% reduction in electricity consumption. Nominated energy managers are responsible for progress monitoring and reporting. Penalties have been established for non-compliance.

ENERGY EFFICIENCY IN BUILDINGS

86%

A long-term building renovation strategy has not yet been adopted. Following the adoption of relevant by-laws to implement the 2016 Law on Energy Performance of Buildings, Albania has established an operational energy performance certification system. The Energy Efficiency Agency supports the issuance of energy performance certificates for buildings and oversees the scheme. More than 40.000 audit reports have been issued since its inception.

ENERGY EFFICIENCY SCHEME AND FINANCING

44%

The energy efficiency obligation scheme, as mandated by the Energy Efficiency Law, is being established in Albania. The Ministry of Infrastructure and Energy drafted an order for the approval of the Energy Efficiency Obligation Scheme, which has not been adopted.

In terms of funding mechanisms for energy efficiency, no dedicated fund has been established. Investments in energy efficiency are currently being channeled through the state budget and foreign financial aid, with a particular focus on the buildings sector. Furthermore, local banks are actively involved in promoting energy efficiency by offering credit lines for various measures, with a primary focus on enhancing the thermal insu-

lation of building envelopes in private buildings. These initiatives are subsidized with up to 50% of the costs being financed by the Municipality of Tirana.

The development of the energy service (ESCO) market model is ongoing. The relevant regulations and model contracts for energy performance contracting have not been adopted.

ENERGY EFFICIENT PRODUCTS – LABELLING

38%

The amendments to the Law No. 62/2012 are essential to align the national framework with the latest Energy Community requirements on energy labelling. The adoption of these amendments is still pending.

There has been little advancement in updating the existing or adopting new implementing regulations for specific product groups, as mandated by the Ministerial Council Decisions from September 2014, November 2018, and lastly, December 2022. This remains an area of concern.

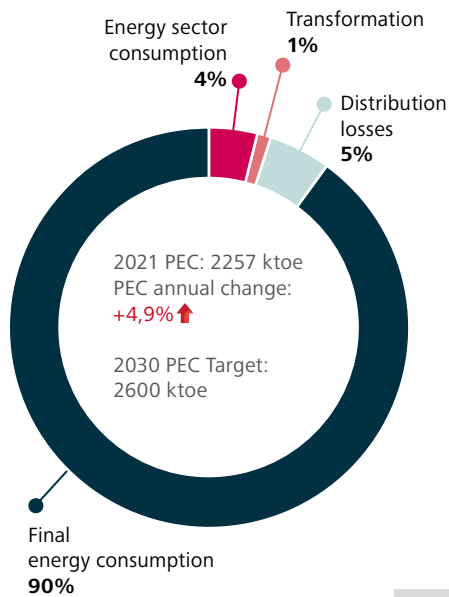
EFFICIENCY IN HEATING AND COOLING

38%

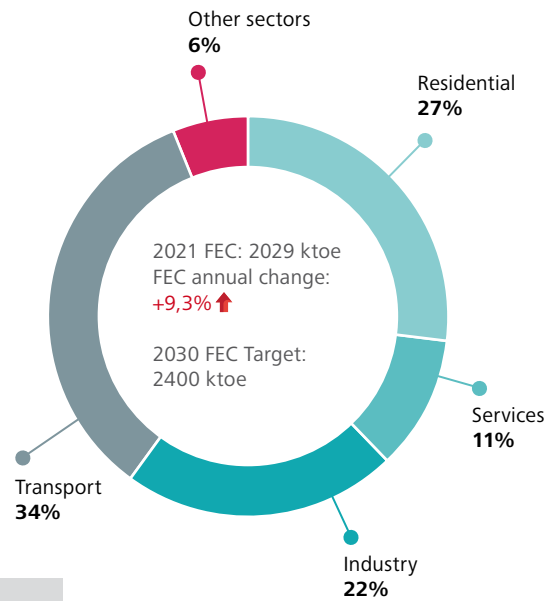
While the Energy Efficiency Law introduced the legal basis for developing a comprehensive assessment of the potential for efficient heating and cooling in 2021, the conduct of assessments in line with the requirements of Article 14 of the Energy Efficiency Directive is missing. Moreover, the transposition of provisions related to the inspection of heating and air-conditioning systems is pending. Recently, Albania subsidized 2.000 families with solar water heating systems.

2021 Energy Efficiency Indicators and Trends

Primary Energy Consumption (PEC)



Final Energy Consumption (FEC)



Energy intensity, 2021 value and trends:
 0,20 ktoe/mil EUR, -3,5% ↓

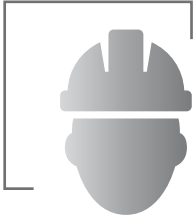
Source: EUROSTAT 2023 data, NECP and 2022 Ministerial Council Decision

Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
●	●	●	n/a	n/a

● In place ● In progress ● Not in place

Source: compiled by the Energy Community Secretariat



Albania

Ensuring energy security



ELECTRICITY SECURITY OF SUPPLY

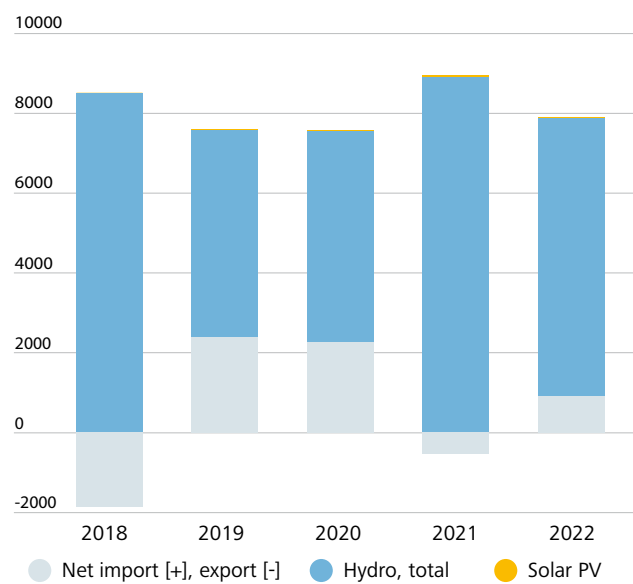
75%

Directive 2005/89/EC is transposed. However, the security of supply rules required by the Power Sector Law have not been adopted. In December 2022, the Government adopted the national action plan in response to the energy crisis. This plan defined the measures that were undertaken by the Government under the state of emergency for the supply of electricity, prolonged until 31 December 2023. Albania has not been providing the Security of Supply Statements to the Secretariat, as required by Article 29 of the Treaty.

In line with the national regulation governing cybersecurity in the electricity sector, electricity companies delivered self-assessments on cybersecurity, which were reviewed by the regulator. The transmission system operator OST and the electricity production company KESH completed their tasks, while the distribution system operator OSSH could not provide the requested documentation.

A cybersecurity strategy is being drafted. In July 2020, the regulator revised the existing cybersecurity regulation. There were no serious cyber-attacks in the energy sector in the recent period.

Fuel mix and primary supply of electricity (in GWh)



Source: Ministry of Infrastructure and Energy, compiled by the Energy Community Secretariat



GAS SECURITY OF SUPPLY

36%

Gas emergency regulations are in place following amendments to the Gas Law in 2021, which incorporate some but not all provisions of the Security of Gas Supply Regulation (EU) 2017/1938.

Albania submitted its national risk assessment to the Secretariat in time.



OIL SECURITY OF SUPPLY

28%

Albania's current emergency oil stockholding system is based on legislation from 1999 (amended in 2004) and governmental decrees from 2004 and 2007, where the entire emergency stockholding obligation is assigned to the oil industry. In 2018, a new law was drafted. The draft Law on the Establishment, Maintenance and Management of Minimum Security Stocks of Crude Oil and Petroleum Products failed to be adopted during the reporting period. As an alternative, three draft regulations and a governmental decision were prepared in 2022 to comply with the Directive's obligations by introducing a system that

would be more in line with the existing industry-based model. The current emergency procedures are not sufficient to meet the Directive's requirements.

The reporting system and calculation methodology do not comply with Directive 2009/119/EC. Data are reported partially.

No progress was achieved during the reporting period and Albania's legal framework remains non-compliant.



Albania

Improving the environment

ENVIRONMENTAL ASSESSMENTS **47%**

Albania did not improve its legislation on Environmental Impact Assessment (EIA) during the reporting period, resulting in a continued lack of alignment with Articles 8 and 8(a) of the EIA Directive. A clear requirement for granting development consents for projects to include the EIA conclusion, environmental conditions, as well as associated measures and monitoring protocols, is not envisaged by the EIA Law. Essential secondary legislation required for proper implementation of the EIA is still lacking. The screening criteria remain unaligned with Annex III to the EIA Directive and the establishment of a certification scheme for EIA experts is delayed. The institutional capacity is not sufficient to facilitate a streamlined process for EIA and other environmental assessments (e.g. biodiversity assessment). No measures were implemented to enhance public participation in decision-making processes at the local level.

The effective implementation of the Strategic Environmental Assessment (SEA) Directive continues to pose challenges. No new mechanisms were introduced to enhance the consultation process, including its transboundary dimension. Also, the existing secondary legislation remained unchanged, allowing for the revision of plans and programs approved without a completed SEA process. This could affect the upcoming revision of the National Energy and Climate Plan (NECP).

The dispute settlement case related to the improper EIA of planned hydropower projects on the Vjosa river remains open.

LARGE COMBUSTION PLANTS **100%**

TPP Vlora remains the only large combustion plant in Albania. It is not operational. With the Fier-Vlora gas pipeline still in preparation and in the absence of an LNG terminal, fuel switch to natural gas cannot take place. If realized, this would be a substantial change making the plant subject to an environmental impact assessment. The installation, if put into operation, must also comply with the emission limit values of the Industrial Emissions Directive for new plants. The same holds true for the mobile combustion units installed in 2022 to be used as reserve units in case they are put in operation.

SULPHUR IN FUELS **60%**

Albania transposed the provisions of the Directive, including those on marine fuels, by a decision of the Council of Ministers in 2019. The ministerial decisions to implement and enforce the obligations for reduction of the sulphur content of certain liquid fuels, especially with regard to the provisions on sampling and analysis, are still not adopted. In the wake of the energy crisis in 2022, Albania imported two mobile, sea-based combustion units (barges) run on heavy fuel oil. These devices are foreseen as reserve units, they have, however, not been used up until now.

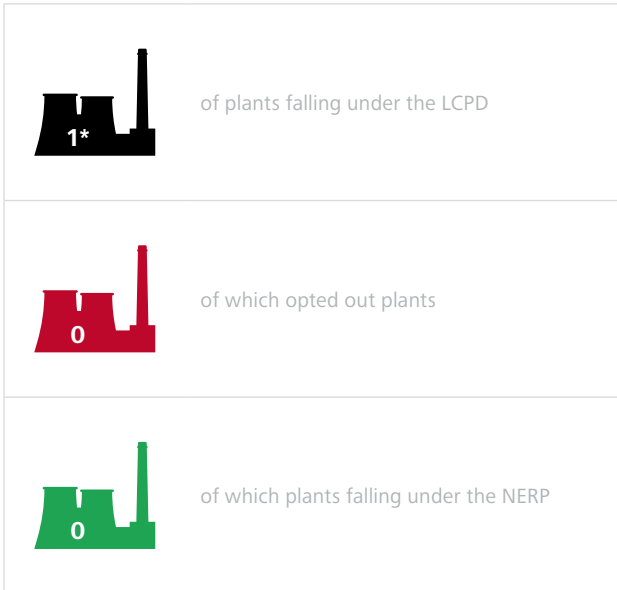
NATURE PROTECTION **67%**

Albania designated the Vjosa River and its free-flowing tributaries, Bënça, Shushica, and Drino, as a national park. At the same time, the still existing concession agreements for the hydropower projects Kalivaç and Poçem pose challenges for the park's future. The management and protection of the Ramsar wetland, which is of international importance and the Vjosa-Narta Protected Area, is still missing, with ongoing infrastructure projects within the site. The National Agency for Nature Protection intends to establish a special fund for protected areas and develop scenarios for three protected areas. This initiative includes mechanisms to enhance revenue streams in specific protected areas, focusing on the Dajti National Park, Divjaka-Karavasta National Park, and the Llogara-Karaburun Protected Area Complex.

ENVIRONMENTAL LIABILITY **20%**

Albania has transposed certain provisions of the Environmental Liability Directive via the Law on Environmental Protection. Secondary legislation remains to be adopted and the financial mechanisms to ensure implementation of the Directive's provisions is yet to be set up.

Installations under the Large Combustion Plants Directive



* not in operation

Source: compiled by the Energy Community Secretariat



Albania

Performance of authorities



REGULATORY AUTHORITY

84%

The Energy Regulatory Entity (ERE) is established in line with the applicable Energy Community legislation. Regulatory decisions are affected by a level of penalties that is lower than required by the Electricity and Gas Directives.

Electricity Market Operators (NEMO). After adopting the secondary legislation transposing the REMIT Regulation in 2022, ERE established the registry of market participants. There is no track record of ERE taking enforcement actions.

In 2023, after approving the Electricity Market Rules jointly with ERO of Kosovo*, ERE appointed ALPEX to be the Nominated



COMPETITION AUTHORITY

50%

As in previous reporting periods, the activities of the Albanian Competition Authority (ACA) in the energy sector were again limited to opinions and recommendations regarding compliance of decisions by ERE with the Law on Protection of Competition.

In the absence of any action regarding the enforcement of the competition acquis in the energy sectors in terms of investigating and sanctioning anti-competitive conduct, Albania does not live up to its obligations under the Treaty.



STATE AID AUTHORITY

40%

The institutional structure and human resources of the State Aid Control Unit (SACU), which provides technical and administrative support to the decision-making body (the State Aid Council, SAC) continue to be of concern. Full compliance with the Treaty's obligations in the area of State aid would require an inde-

pendent State aid authority with sufficient human and technical resources. In the reporting period, the SAC reviewed in line with the State aid acquis the state support for the Remas-Karavasta solar project through a power purchase agreement, convertible to a contract for difference.



STATISTICAL AUTHORITY

72%

The Agency for Natural Resources (AKBN) compiles annual energy balances and annual questionnaires that are transmitted to EUROSTAT. The SHARES questionnaire for 2021 was also transmitted, as well as the preliminary data for 2022. The breakdown of energy consumption of households was transmitted to EUROSTAT and published, including the breakdown of energy consumption in industry in accordance with Regulation (EU) 2022/132. The quality reported was not updated in the 2022 reporting cycle.

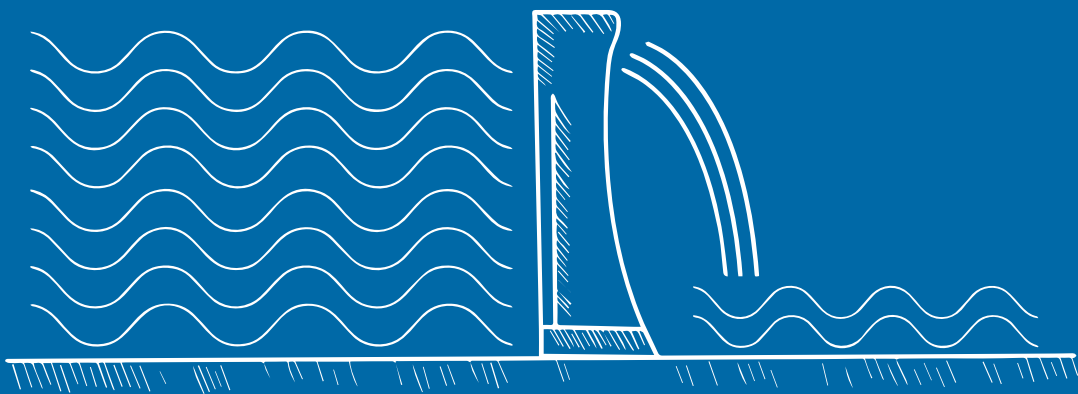
in Annex C of Regulation (EC) 1099/2008, necessary for stock obligations monitoring and crude oil import registry, fall short of the requirements. Monthly coal data are not available yet.

Monthly oil, electricity and natural gas data are available and transmitted to EUROSTAT, although the deadlines for the submission of data are not observed. Monthly oil statistics defined

The prices of electricity charged to households per consumption band were transmitted. AKBN began to transmit the breakdown of main price components together with the corresponding volumes from the reference year 2022. AKBN, in cooperation with ERE, is preparing a set of data on natural gas prices. The first reported set covered the first semester 2022. The breakdown of price components is not completed due to the unavailability of data in the bundled activities. The quality report on price statistics has not been transmitted yet.

05

Bosnia and Herzegovina















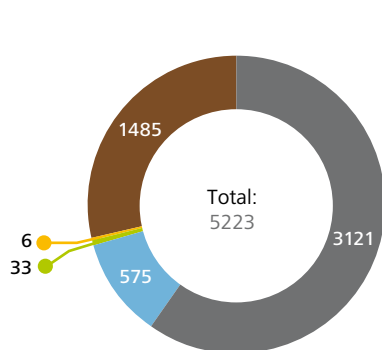


Bosnia and Herzegovina

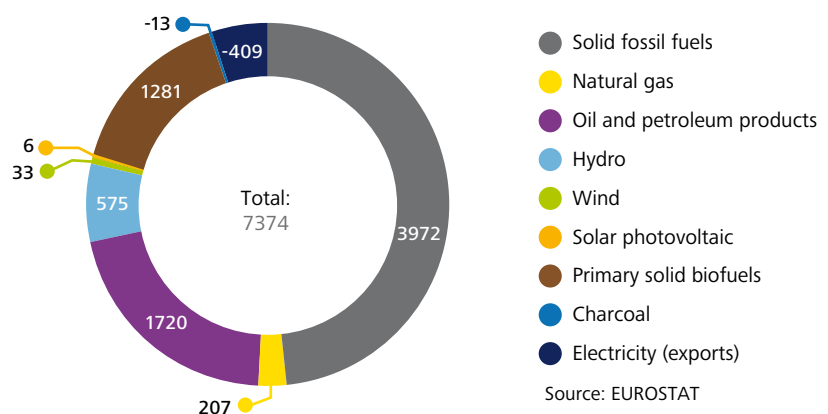
IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 Markets and integration	 37%	The Law on Electricity adopted in the Federation of Bosnia and Herzegovina in August 2023 defined the missing legal framework for unbundling of distribution system operators, however with a two-year implementation period. The virtual interconnection point introduced by Gas Promet Pale increases opportunities for gas trading.
 Decarbonising the energy sector	 42%	Bosnia and Herzegovina submitted to the Secretariat its draft NECP within the prescribed deadline. Also its long-term low-emission development strategy was sent to UNFCCC. The Federation of Bosnia and Herzegovina adopted a renewable energy law and an energy labelling regulation, while Republika Srpska established an operational registry for guarantees of origin. Bosnia and Herzegovina should adopt the final NECP in line with the Recommendations provided by the Secretariat.
 Ensuring energy security	 11%	No progress has been made in establishing a compliant legal framework governing the security of supply in electricity, gas and oil sectors.
 Improving the environment	 35%	Environmental compliance remains low and the pressing issue of large combustion plants is still far from being resolved. The situation was worsened by the extended use of opted-out plants. Emission abatement measures must be taken immediately to address this.
 Performance of authorities	 60%	The energy regulator's institutional framework does not comply with the acquis. Within its limited legal competences, SERC continues to fulfill its regulatory tasks. The state aid authority rendered three decisions on illegal State aid.

2021 Fuel mix in primary production of energy (in ktoe)



2021 Gross available energy per product (in ktoe)



ECS-5/17 Electricity	Overall number of cases: 6		ECS-8/11 S Gas
ECS-1/14 Energy efficiency	Procedures under Article 91 EnCT	Procedures under Article 92 EnCT	ECS-2/13 S Environment
ECS-3/18 Infrastructure			ECS-6/16 S Third Energy Package



Bosnia and Herzegovina

Markets and integration

ELECTRICITY

55%



UNBUNDLING

22%

The Third Energy Package requirements for unbundling of the transmission system operator are not transposed. Unbundling and certification are missing.

The unbundling of three power utilities, Elektroprivreda Bosne i Hercegovine (EPBIH), Elektroprivreda Hrvatske zajednice Herceg-Bosna (EPHZHB) and Elektroprivreda Republike Srpske (ERS), has not been completed yet. Compliant provisions for the unbundling of the distribution system operator were introduced by the new Electricity Law approved by the entity government of Federation of Bosnia and Herzegovina in August 2023, with a deadline for implementation of two years. The legal and accounting unbundling was completed for five distribution companies owned by ERS. There was no progress in achieving functional unbundling.

ACCESS TO THE SYSTEM

93%

In November 2022, the entity regulator of Republika Srpska approved new tariffs for distribution and public supply. The latest decisions of the State Electricity Regulatory Commission (SERC) on tariff increases for the operation of the independent system operator and distribution and public supply in Brčko District were approved in early 2023, while the transmission network tariff stayed unchanged.

The Connection Codes are transposed and implemented to a large extent through the transmission network code. According to the laws on electricity of Republika Srpska, Federation of Bosnia and Herzegovina and Brčko District, connection of electricity facilities to the distribution network should be brought in line with the requirements of distribution network code established in the particular entity. However, this is still not the case to the full extent.

The Transparency Regulation is transposed and largely implemented with most of the data published.

WHOLESALE MARKET

61%

No progress has been made towards setting-up organised day-ahead and intraday markets. ERS, EPBIH and EPHZHB, the three state-owned incumbent suppliers, continue to dominate the wholesale market based on bilateral contracts. Trading in foreign spot markets is performed directly by ERS only, while EPBIH and EPHZHB make use of trading agents.

When NOS BiH cannot procure electricity for transmission losses in public auctions, it is provided in a non-market-based manner by the entities as determined by the transmission system operator and at prices regulated by SERC. Distribution losses are not procured in a market-based procedure.

The balancing market is established in a competitive way but operates under price caps approved by SERC. The REMIT Regulation is transposed and implemented.

RETAIL MARKET

73%

Electricity is supplied predominantly by the three incumbent utilities. In 2022, most consumers were supplied from the respective incumbents - only 2,6% of final consumption was supplied to customers who switched their supplier. Universal service supply with regulated prices is available for households and small consumers. In the Federation, prices for universal service are regulated by the entity regulator FERC and two power utilities act as universal service suppliers. In Republika Srpska and Brčko District, prices for universal service are set by the entity regulator RERS and by SERC respectively. In the Federation, a price increase for eligible customers is limited to a maximum 20% per annum. This provision was first introduced in December 2021 and continued to be in place for 2023.

For Republika Srpska and Brčko District, the concept of vulnerable customers is defined in primary legislation. The legislation of Federation of Bosnia and Herzegovina provides no explicit definition on vulnerable customers, but a subsidizing programme for the below-average consumption was implemented by EPBIH and EPHZHB.

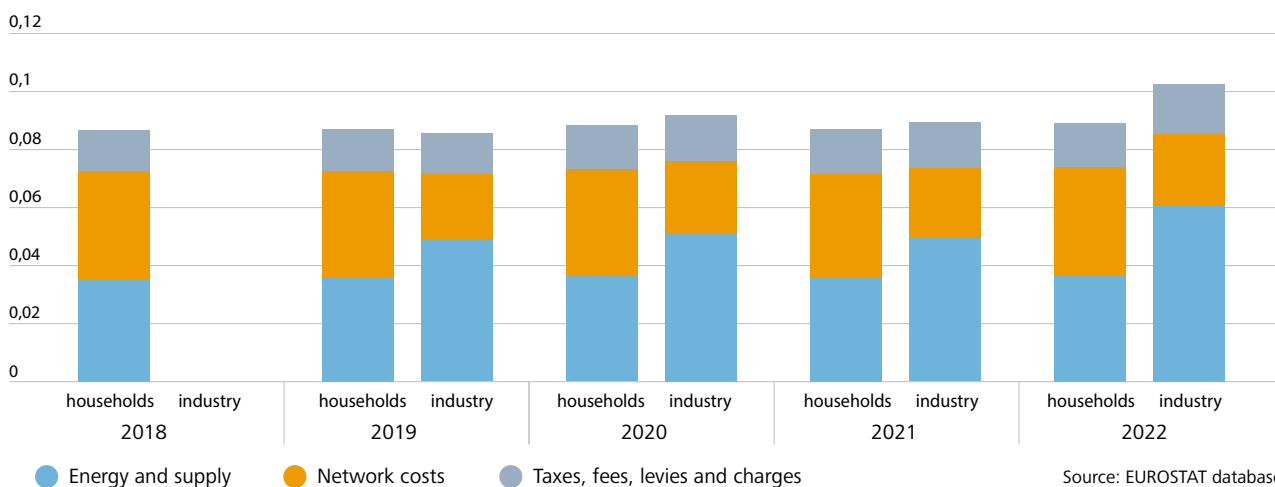
REGIONAL INTEGRATION

40%

The regional auction platform SEE CAO is used for annual, monthly, and daily capacity allocation with Croatia and Montenegro. All intraday auctions and auctions on the interconnection with Serbia are organised bilaterally between the respective transmission system operators. In the control block with the transmission system operators of Croatia and Slovenia, the independent system operator NOS BiH cooperates in cross-border balancing. Bilateral balancing energy exchanges with the transmission system operators of Montenegro and Serbia are organised.

Bosnia and Herzegovina has not transposed TEN-E Regulation (EU) 2013/347. The infringement established by Ministerial Council Decision 2018/08/MC-EnC is still not rectified. Bosnia and Herzegovina participates in the PECE Transbalkan corridor project, aimed to connect the transmission networks of Serbia, Montenegro and Bosnia and Herzegovina on 400 kV voltage level. The Bosnia and Herzegovina part of the 400 kV OHL Visegrad (BA) - Bajina Basta (RS), waits for action by Serbia to be realised (construction of the 400 kV OHL Obrenovac - Bajina Basta).

Average annual prices of electricity for end users per component [EUR/kWh]





UNBUNDLING

37%

Gas Promet Pale, one of two operators in Republika Srpska, is certified under the ownership unbundling model by the entity's regulator. The second one, Sarajevogas Istocno Sarajevo, which performs transport, distribution, system operation and supply, remains bundled. In Federation of Bosnia and Herzegovina, one company operates the transmission network as an exclusive and sole task in line with the Decree on Organization and Regulation of the Gas Sector, but there is no legal basis for unbundling pursuant to Third Energy Package. Distribution of gas in both entities is bundled with supply and trade, as allowed by the Gas Directive's de minimis clause.

and Herzegovina, wholesale prices are determined by the entity government. All transactions are based on bilateral contracts. A virtual trading point for Republika Srpska is not functional. It does not exist in the Federation.

The REMIT Regulation for the gas markets was not transposed.

ACCESS TO THE SYSTEM

4%

Third party access is granted under regulated tariffs determined by the entity regulator for the gas network in Republika Srpska, but not compliant with the Tariff Network Code. The access is negotiated in the Federation, and network tariffs are determined by the entity government as part of the gas price at the distribution level. Third party access is not established under the Network Codes provisions in either entity. However, Gaspromet Pale has established a virtual interconnection point with the adjacent operator in Serbia, which provides more flexibility to traders and potentially opens opportunities for balancing.

RETAIL MARKET

13%

In Republika Srpska, all retail market customers are supplied under non-regulated prices, and switching rules are in place. The public supplier for households has not been appointed. The dominant supplier, the public company GAS RES, serves cca 85% of the retail market in Republika Srpska. Customers in Federation of Bosnia and Herzegovina are still captive and supplied under regulated prices.

REGIONAL INTEGRATION

37%

Bosnia and Herzegovina has not transposed TEN-E Regulation (EU) 2013/347. The two PMI projects are Interconnector Bosnia and Herzegovina - Croatia North and Interconnector Bosnia and Herzegovina - Croatia South. The former one, on the territory of Republika Srpska, is still at the feasibility assessment stage and has not matured further during recent years. The interconnector Bosnia and Herzegovina - Croatia South is in the design and permitting phase. The project would enable Bosnia and Herzegovina, and particularly the Federation, to access alternative sources of gas.

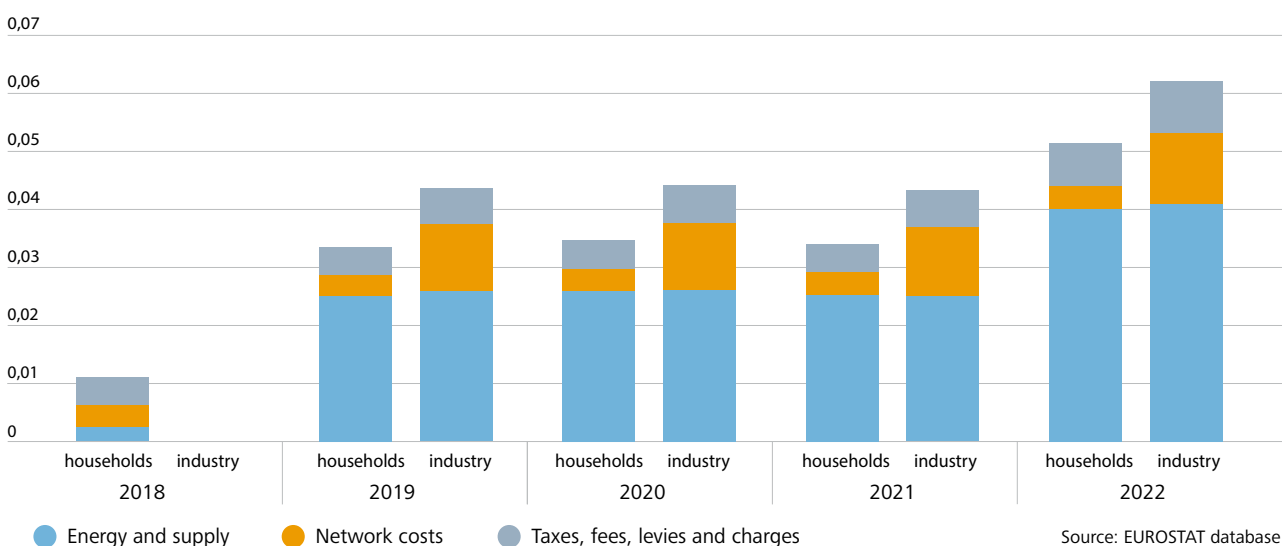
WHOLESALE MARKET

10%

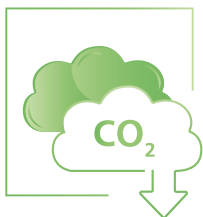
Bosnia and Herzegovina has a foreclosed gas market, organised in two parallel gas markets in the entities. Republika Srpska's wholesale market prices are not regulated, however, there is only one monopolistic gas importer. In Federation of Bosnia

and Herzegovina, there is an interconnection agreement signed between the adjacent operators, by which the virtual interconnection point was established in May 2023.

Average annual prices of gas for end users per component [EUR/kWh]



Source: EUROSTAT database



Bosnia and Herzegovina

Decarbonising the energy sector



GOVERNANCE / CLIMATE IMPLEMENTATION

35%

NATIONAL ENERGY AND CLIMATE PLANS

38%

Bosnia and Herzegovina has submitted its draft National Energy and Climate Plan (NECP) within the deadline. The 2030 climate and energy targets have been properly reflected in the draft NECP. A public consultation and regional consultation on the draft NECP has not taken place.

GREENHOUSE GAS 2030 TARGET

80%

Bosnia and Herzegovina has not defined the 2030 climate target in its national legislation, but has defined it in the draft NECP. The target is in line with the 2030 targets set by the Energy Community.

NATIONAL SYSTEMS FOR CLIMATE REPORTING

14%

There is no legal basis for a national inventory system. Bosnia and Herzegovina has not yet established a national inventory system, nor a national system on policies, measures and projections. Bosnia and Herzegovina still needs to initiate reporting on the national system for policies, measures and projections.

NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

8%

Reporting obligations have not been transposed in the legislation. Bosnia and Herzegovina nominated lead reporters for the Governance Regulation reporting activities. Yet, it has not reported or initiated a process for reporting on policies and measures (PaMs), nor has it adapted strategies and carbon revenues in the context of Reportnet system.

LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

34%

The legal basis for a long-term strategy has not been adopted. Nonetheless, Bosnia and Herzegovina adopted and submitted a long-term strategy to UNFCCC in July 2023. The strategy, however, does not have a 2050 climate neutrality objective, but only a net reduction of greenhouse gas emissions by 80% compared to 1990.

RENEWABLE ENERGY IMPLEMENTATION

44%



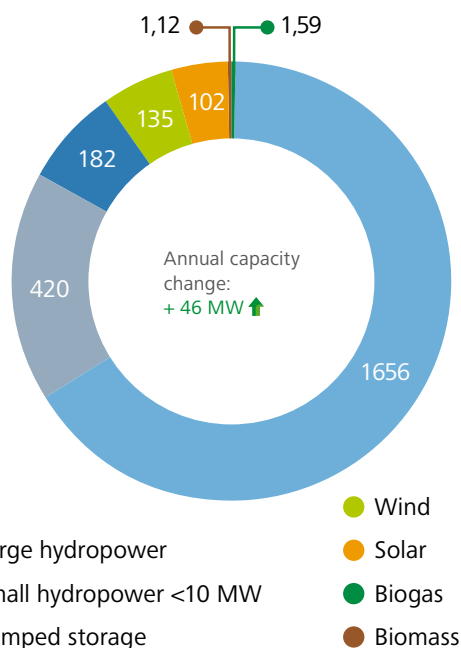
2030 RENEWABLE ENERGY TARGETS **73%**

The target of achieving a 43,6% share of renewable energy in the gross final energy consumption as outlined in the draft NECP is in line with the 2030 target set by the Energy Community. The overall 2030 renewable energy target is subdivided into sectorial targets for electricity (70,1%), transportation (8,4%), and heating and cooling (60,8%). In line with Article 26 of the Renewable Energy Directive (REDII), Bosnia and Herzegovina has adjusted its minimum target for renewable energy in transport to 7% by 2030. The 2030 target for renewable energy in the heating and cooling sector does not comply with the requirements of Article 23 of REDII.

QUALITY OF SUPPORT SCHEME **50%**

In February 2022, August 2022, and September 2023, respectively, Republika Srpska, Brčko District and Federation of Bosnia and Herzegovina passed renewable energy laws, which introduced market-based support schemes in compliance with the REDII requirements. The adoption of essential secondary legislation and the implementation of auctions are still missing.

Total Capacities of Renewable Energy 2022 (MW)



Total capacities of renewable energy (MW):

2497

Source: Ministry of Foreign Trade and Economic Relations

SELF-CONSUMPTION AND ENERGY COMMUNITIES **63%**

Republika Srpska, Brčko District and Federation of Bosnia and Herzegovina have incorporated provisions for self-consumption and energy communities in their renewable energy laws. However, they are implemented only regarding self-consumption in Republika Srpska. The entity regulator of Republika Srpska has approved a rulebook on self-consumers, establishing the necessary conditions for households and businesses to engage in electricity generation for self-consumption. Specifically, net metering is applicable to facilities with a capacity of up to and including 10,8 kW, while those ranging from 10,8 kW to a maximum of 50 kW will operate under a net billing mechanism.

GUARANTEES OF ORIGIN **35%**

Both entities in Bosnia and Herzegovina joined the Energy Community initiative to establish a regional system for guarantees of origin. Electronic registries for guarantees of origin in Bosnia and Herzegovina were created and can be utilized as soon as the entity regulator from Republika Srpska and the operator for renewables in the Federation, as the designated issuing bodies, sign direct agreements with the service provider. As of 1 June 2023, the entity regulator of Republika Srpska entered into such an agreement and started issuing guarantees of origin. Federation of Bosnia and Herzegovina is facing difficulties related to public procurement obligations. The existing legal framework governs the issuance of guarantees of origin solely for renewable electricity, without encompassing other energy carriers as specified in REDII.

SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS **0%**

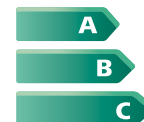
Provisions related to the sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids, and biomass are still not transposed and the legal framework remains completely non-compliant with REDII.

RENEWABLE ENERGY IN HEATING AND COOLING **33%**

The renewables laws of both entities and Brčko District create a legal basis for adopting measures for streamlining renewable energy in heating and cooling. Implementation is still missing. The legal framework for district heating needs to be improved in both entities by transposing Article 24 of REDII, including streamlining renewables in district heating and transposing consumer rights and information obligations.

ENERGY EFFICIENCY IMPLEMENTATION

48%



2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

55%

The 2030 energy efficiency targets, as indicated in the draft NECP, are partially aligned with the 2030 targets set by the Energy Community. The NECP's primary energy consumption target should be more ambitious and namely 6,50 Mtoe in 2030.

The specific targets from Article 5 and Article 7 of the 2012 Energy Efficiency Directive (EED) are introduced in the draft NECP. They, however, require further alignment with the heightened ambition of 3% and 0,8% respectively, introduced by the amending EED. Energy efficiency policy and measures introduced in the draft NECP should be more specific and their progress more measurable to realistically contribute to the 2030 targets.

ENERGY EFFICIENCY IN BUILDINGS

65%

There has been limited progress in the implementation of necessary legislative adjustments and comprehensive building renovation strategies in line with the energy efficiency requirements specified within the Governance Regulation. Implementation progress was limited to drafting of rulebooks and training of experts for energy audits and certification of buildings.

A draft long-term building renovation strategy is covering Federation of Bosnia and Herzegovina, Republika Srpska administrative bodies at the state level and Brčko District. While the strategy in Federation is in its final stages of approval, it is imperative for the country to expedite the adoption in parallel with NECP.

ENERGY EFFICIENCY SCHEME AND FINANCING

49%

Bosnia and Herzegovina drafted provisions for the implementation of Article 7 of the EED. Yet, no energy-saving measures were put in place. Both the legal framework and the NECP measures should be upgraded to reflect new ambitions and the extension of the energy savings obligation by 2030.

As regards the financing framework, each entity has an energy efficiency and environmental fund dedicated to monitoring the implementation progress and reporting on the achieved energy savings. The energy efficiency laws in both entities and the Brčko District acknowledge the significance of energy service companies (ESCOs) and energy performance contracting. However, the lack of supplementary secondary legislation and model ESCO contract are limiting implementation.

ENERGY EFFICIENT PRODUCTS – LABELLING

42%

Bosnia and Herzegovina achieved certain progress by the adoption of rulebooks transposing the energy labelling and eco-design delegated regulations which were developed during the previous reporting period. Federation of Bosnia and Herzegovina adopted a rulebook on energy-efficient products labeling in August 2023, while the update of existing regulations in Republika Srpska is still not adopted.

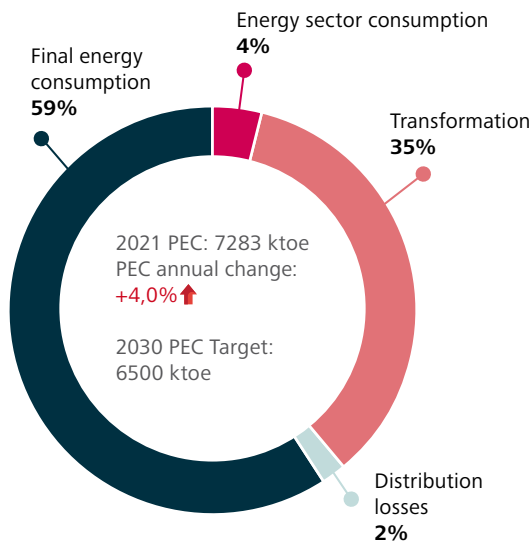
EFFICIENCY IN HEATING AND COOLING

28%

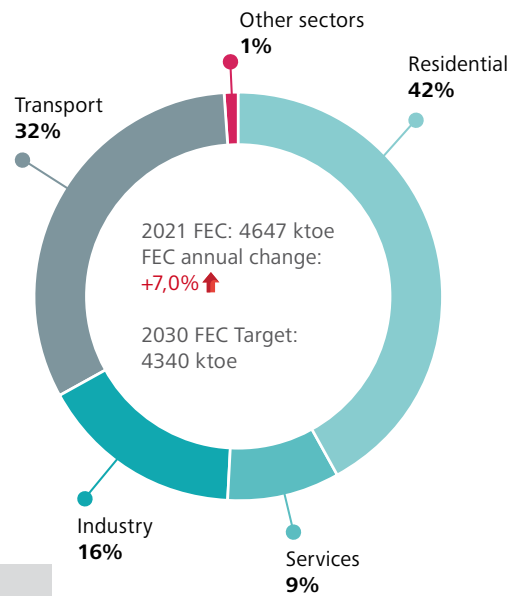
Programmes for promoting the efficiency of individual heating systems and replacing inefficient heating systems were implemented in 2023 in Federation of Bosnia and Herzegovina and in some municipalities. A recently adopted law on energy and regulation of energy activities in the Federation envisages that thermal energy is to be regulated by a separate law. This will align district heat metering and billing as required by Article 9a of EED. Further work is needed to perform a comprehensive assessment of the national potential for efficient heating and cooling, including consumption-based billing.

2021 Energy Efficiency Indicators and Trends

Primary Energy Consumption (PEC)



Final Energy Consumption (FEC)



Energy intensity, 2021 value and trends:
 0,44 ktoe/mil EUR, -3,7% ↓

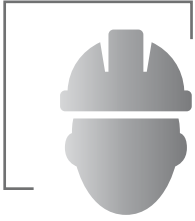
Source: EUROSTAT 2023 data, draft NECP and 2022 Ministerial Council Decision

Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
●	●	●	●	●

● In place ● In progress ● Not in place

Source: compiled by the Energy Community Secretariat



Bosnia and Herzegovina

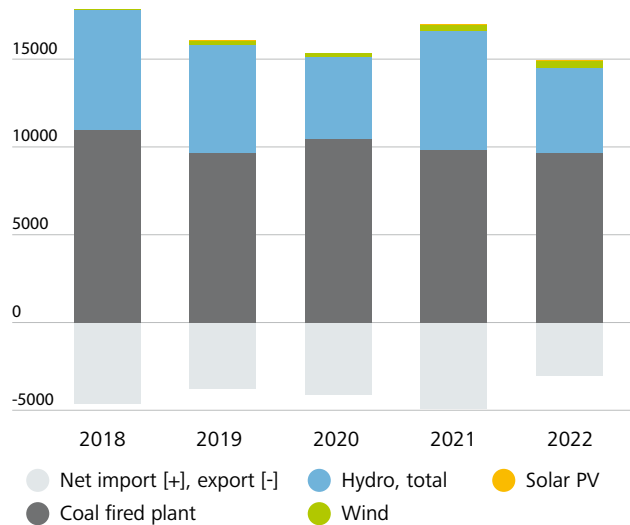
Ensuring energy security

ELECTRICITY SECURITY OF SUPPLY 25%

Directive 2005/89/EC is only partially transposed through the laws governing the electricity sector on the entity level. Bosnia and Herzegovina does not provide Security of Supply Statements as required by Article 29 of the Treaty.

There is no legal framework governing cybersecurity at state-level. The legislation at the entity level is more advanced in Republika Srpska although not fully aligned with the NIS Directive. Bosnia and Herzegovina established a working group on cybersecurity. A draft roadmap for the security of network and information systems in the energy sector is under discussion.

Fuel mix and primary supply of electricity (in GWh)



Source: Ministry of Foreign Trade and Economic Relations, compiled by the Energy Community Secretariat

GAS SECURITY OF SUPPLY 3%

The security of gas supply framework in Bosnia and Herzegovina is not compliant with Regulation (EU) 2017/1938 and Regula-

tion (EU) 2022/1032. A few rudimentary provisions in place in Republika Srpska do not rectify the country's non-compliance.

OIL SECURITY OF SUPPLY 0%

Bosnia and Herzegovina does not have state-level legislation on compulsory stocks of oil and petroleum products and there is no national policy to meet the obligations of Directive 2009/119/EC. Both entities adopted laws which are not compliant with the Directive. Bosnia and Herzegovina needs to establish a model for an emergency stockholding system on the state level, in line with Directive 2009/119/EC and workable in their specific conditions.

No monthly oil data collection is carried out.

No progress was achieved during this reporting period. Bosnia and Herzegovina's legal framework remains non-compliant with the oil acquis.



Bosnia and Herzegovina

Improving the environment

ENVIRONMENTAL ASSESSMENTS **40%**

Federation of Bosnia and Herzegovina has improved its legislation to conform with Article 2(1) of the Environmental Impact Assessment (EIA) Directive. Developers are now required to submit the EIA consent or a confirmation that the project is not subject to EIA when applying for an initial planning permit. The wrong transposition of Article 8(a) of the EIA Directive persists in both entities. This concerns the extension of the validity of the development consent for approved projects. The revised criteria for energy installations established by Federation of Bosnia and Herzegovina, which introduce a threshold of 10 MW for all energy projects and four units for wind power projects, is not compliant with the EIA Directive. The criteria do not adequately address the fundamental obligation to assess significant effects, which consider not only the size but also the nature and location of the projects.

In Republika Srpska, there were no improvements in enhancing the assessment of the project's impacts and the consultation with the public concerned. The new EIA procedure and environmental permit for the 700 MW Ugljevik 3 coal power plant faced a legal challenge by civil society, leading to their suspension ahead of a decision by the Supreme Court in Republika Srpska.

The Secretariat responded to the concerns about the transboundary environmental impacts of the Buk Bijela hydropower project by initiating a facilitation process between Montenegro and Republika Srpska, aimed to assist in resolving issues related to the project.

The Strategic Environmental Assessment (SEA) Directive is not properly implemented for plans and programmes adopted at the national level. Despite a draft being prepared, the SEA procedure for the National Energy and Climate Plan (NECP) encountered delays. Public consultations, including transboundary consultations, were not initiated. This calls into question the effectiveness and efficiency of the consultation process.

LARGE COMBUSTION PLANTS **40%**

Bosnia and Herzegovina complied with its emission reporting obligations in March 2023. The significant non-compliance with the National Emission Reduction Plan (NERP) ceilings for all three pollutants (sulphur dioxide, nitrogen oxides and dust) still persists. The Secretariat referred the matter to the Ministe-

rial Council. In the 2022 reporting period, despite the reduction of absolute amounts of emissions of all three pollutants, the compliance gap is still very large. With the ceilings decreasing from 2023 onwards, it is expected to widen. The very high dust emissions in the 2021 reporting from TPP Gacko were reduced by almost a quarter. The infringement procedure related to two of the opted-out plants (TPPs Tuzla 4 and Kakanj 5), which have reached the end of their 20.000 operational hours limit in 2022, is ongoing.

SULPHUR IN FUELS **33%**

Legislation to address the infringement established by the Ministerial Council is still not adopted, the serious and persistent breach thus persists. No domestic production is currently taking place due to the temporary closure of the Brod refinery.

NATURE PROTECTION **27%**

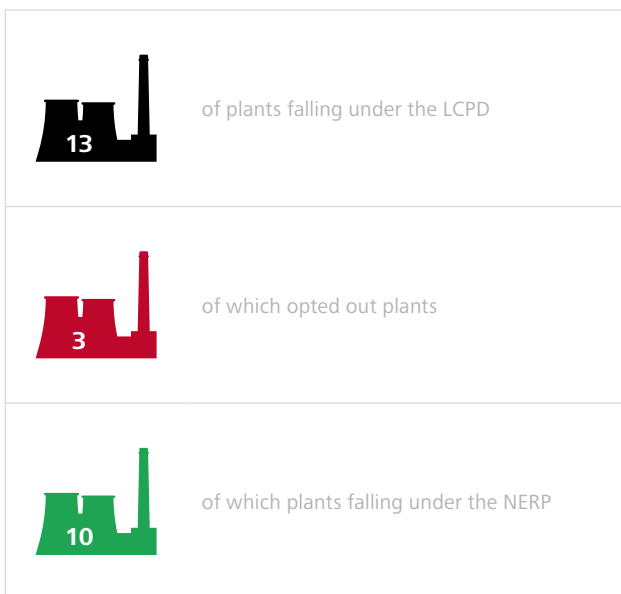
Republika Srpska adopted a regulation on strictly protected and protected species and initiated the preparation of a new law on nature protection. Federation of Bosnia and Herzegovina adopted the Rulebook on the Prohibition of the Use of Means and Methods for Killing Birds and Hunting, aligned with Annex IV of the Wild Birds Directive.

Both entities have not conducted the necessary inventory of species and habitats, particularly focusing on specific taxonomic groups, and not designated protected areas. The development of hydropower projects and the assessment of their potential impact on candidate Emerald sites and Ramsar wetlands of international importance, particularly concerning projects on the upper Neretva River and upper Drina River, remain unresolved.

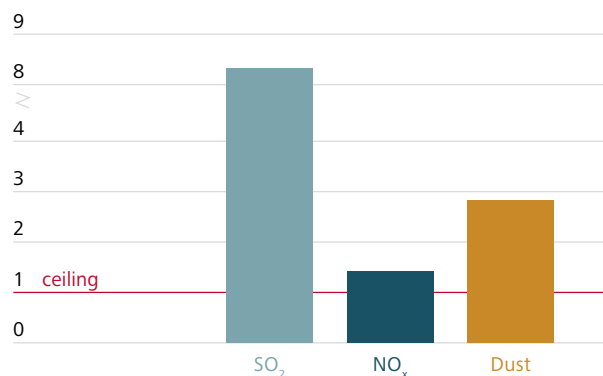
ENVIRONMENTAL LIABILITY **20%**

In the Federation, certain provisions of the Directive on the Prevention and Elimination of Environmental Damage were transposed by the Law on Environmental Protection. At the same time, there are no financial mechanisms established to ensure the implementation of those provisions. In Republika Srpska, the Directive is not transposed. The Secretariat initiated infringement proceedings in July 2023.

Installations under the Large Combustion Plants Directive



2022 emissions versus NERP ceilings



2022 emissions by all plants under the LCPD	206.037	16.238	5.353
Annual change	-3,5% ↓	-14,4% ↓	-23,9% ↓
2022 emissions by plants under the NERP	182.692	12.022	4.927
Annual change	-0,8% ↓	-16,7% ↓	-18,9% ↓

Source: compiled by the Energy Community Secretariat

Amount of operational hours used from opt-out period

TPP Kakanj 5 	Expected expiry of opt-out period	EXPIRED
	Remaining hours	0
	Operating hours consumed in 2018 - 2022	22.058
TPP Tuzla 4 	Expected expiry of opt-out period	EXPIRED
	Remaining hours	0
	Operating hours consumed in 2018 - 2022	23.892
TPP Tuzla 3 	Expected expiry of opt-out period:*	November 2023
	Remaining hours	2.950
	Operating hours consumed in 2018 - 2022	17.050

*Calculations for the expected expiry of the opt-out period are based on 2018 - 2022 average load factor.

Source: compiled by the Energy Community Secretariat



Bosnia and Herzegovina

Performance of authorities

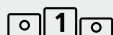


REGULATORY AUTHORITY

42%

The State Electricity Regulatory Commission (SERC) remains the only regulator in the Energy Community whose set-up does not comply with the Third Energy Package requirement for a single regulatory authority for electricity and gas. The duties and powers of SERC are limited to regulating electricity transmission and monitoring the wholesale electricity market. Nevertheless, the legal framework of SERC is aligned with the Energy Community acquis.

In the reporting period, SERC continued with the efforts to implement the acquis within the limits of the powers granted to the regulator by state-level legislation. This included tariff increases for the independent system operator, system and ancillary services, as well as approving the investment plan for the electricity transmission company Elektrotrans BiH.



COMPETITION AUTHORITY

55%

The Competition Council's enforcement activities are limited to the assessment of concentrations. In the reporting period, the Competition Council again did not investigate or render any decision regarding anti-competitive behaviour in the energy

sectors. Effective enforcement of competition law, in particular with regard to anticompetitive agreements and the abuse of dominance, is needed in order for Bosnia and Herzegovina to comply with its obligations under the Treaty.



STATE AID AUTHORITY

75%

The State Aid Council (SAC) and its secretariat are very active but would benefit from additional human resources. In the reporting period, the SAC rendered two decisions finding that the exemption of diesel fuel from toll for the years 2022 and 2023 constitute illegal State aid. These decisions follow the opening of dispute settlement procedures by the Secretariat and effectively address the concerns raised therein. Furthermore, since

the non-compliance identified by the SAC was not remedied within the timeframe set, the SAC rendered a decision regarding a guarantee issued to ZP Elektrokrajina a.d. Banja Luka for payments of its own debts, which constitutes illegal State aid. The SAC ordered payment of a market premium plus interest to the issuer of the guarantee.



STATISTICAL AUTHORITY

84%

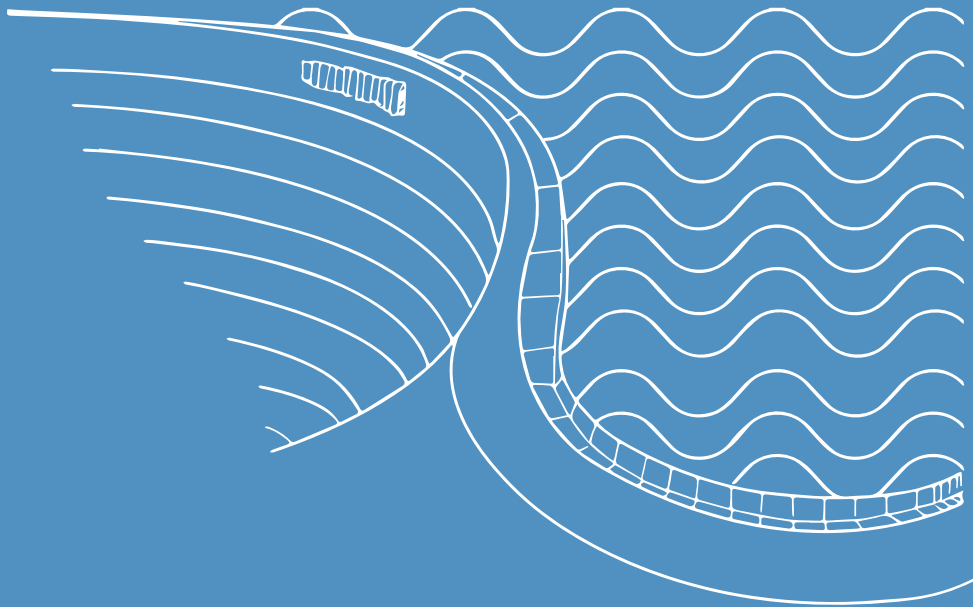
The Agency for Statistics of Bosnia and Herzegovina (BHAS) is the main institution responsible for energy statistics. It compiles energy statistics, in close cooperation with the two entities' statistics institutions.

The full set of annual energy statistics for 2021, including SHARES, has been compiled and transmitted to EUROSTAT, although with a significant delay. Preliminary questionnaires with 2022 data were also prepared and transmitted to EUROSTAT. The breakdown of energy consumption in households is reported in accordance with the acquis. The first quality report on energy statistics was transmitted to EUROSTAT in 2019 and updated in 2022. BHAS transmits monthly reports for electricity

and coal to EUROSTAT. Although the reporting of monthly oil statistics was planned to begin in January 2023, no progress was made. Monthly data on natural gas and oil, including crude oil import registry, currently with zero values, are still missing. The prices of electricity and natural gas charged to industrial and household end-users, broken down per consumption band and per taxation level, as well as the breakdown of components of electricity and natural gas prices, including the share of transmission and distribution cost in total network costs for electricity, are compiled and submitted to EUROSTAT. The respective quality reports were also transmitted.

06

Georgia







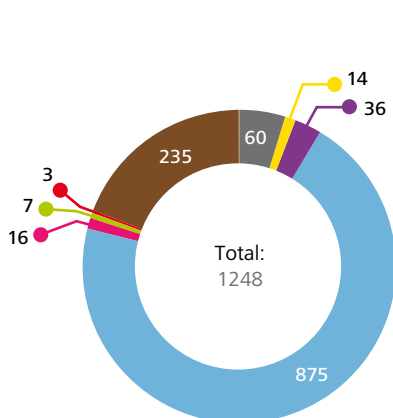


Georgia

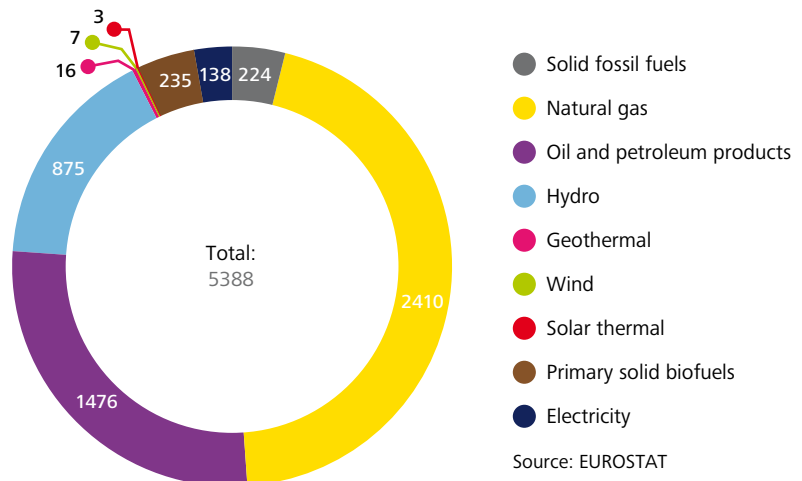
IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 Markets and integration	 36%	<p>The Government postponed the opening of the electricity day-ahead, intraday balancing and ancillary services markets for 1 July 2024. The implementation of natural gas market concept design, gas market rules, gas distribution rules, unbundling of gas distribution system operator has also been postponed. Georgia should strive to open the wholesale electricity and gas markets and urgently finish the unbundling and certification of the electricity and gas transmission system operators, along with the transposition and implementation of the Electricity Integration Package.</p>
 Decarbonising the energy sector	 42%	<p>Georgia has submitted its draft NECP to the Secretariat. The country has also conducted its inaugural auction for renewable energy and established an operational registry for guarantees of origin for electricity by signing an agreement with a service provider. Georgia should adopt the Renewable Energy Law and adopt amendments to the Energy Efficiency Law in line with the acquis.</p>
 Ensuring energy security	 19%	<p>The Ministry has been appointed as the competent authority in line with the Risk-preparedness Regulation. The Government is postponing the adoption of gas security of supply rules which would transpose the Security of Supply Regulation. Parallel to the need to transpose the Regulation, Georgia should perform a risk assessment for the gas market and complete the risk-preparedness plan for the electricity sector.</p>
 Improving the environment	 64%	<p>Georgia stepped up its legislative efforts with the adoption of the Industrial Emissions Law and achieved good progress in the area of environment. Secondary legislation for combustion plants should be adopted.</p>
 Performance of authorities	 62%	<p>GNERC adopted the electricity market rules as well as dispute resolution rules in 2023. GNERC is yet again not investigating any anti-competitive conduct nor reviewing State aid measures in the energy sector.</p>

2021 Fuel mix in primary production of energy (in ktoe)



2021 Gross available energy per product (in ktoe)



Source: EUROSTAT



Georgia

Markets and integration

ELECTRICITY

51%



UNBUNDLING

51%

The transmission system operator GSE is controlled by the Ministry of Economy and Sustainable Development. This set-up breaches the unbundling rules. In addition to the regulator's refusal of its certification in 2022, GSE was also penalized for non-compliance with unbundling requirements. In February 2023, the Secretariat launched infringement procedures against Georgia for the lack of unbundling and certification of the transmission system operator.

Both distribution system operators, Energo-Pro Georgia and Telasi, are unbundled. Compliance reports are submitted to the regulator in line with the deadlines. The regulator amended the unbundling rules with a requirement for the distribution system operators to select a compliance officer in a competitive procedure. Telasi has already appointed a compliance officer. Energo-Pro Georgia selected a candidate compliance officer and submitted the proposal for the regulator's approval. The regulator's lack of approval raises concerns.

ACCESS TO THE SYSTEM

66%

The connection fees and network tariffs are transparent and published.

The Connection Codes are partially integrated in the applicable transmission grid code approved by the regulator. GSE prepared a new version of the transmission grid code. Its approval is expected to take place together with the market opening, which was postponed.

Transparency Regulation was transposed and a limited set of data is published on the ENTSO-E Transparency Platform. By an agreement signed with ENTSO-E in October 2023, the transmission system operator committed to ensure that the information published on the Transparency Platform is reliable and of the required quality.

WHOLESALE MARKET

48%

The Government postponed the opening of the day-ahead, balancing and ancillary services markets twice in the course of 2023. The last postponement applied to the intraday market as well. The market opening is to take place on 1 July 2024.

Electricity production is still largely regulated until 2027, according to a schedule defined by the Concept of Electricity Market Model. In the next step, the deregulation of hydro-power plants below 75 MW must take place as of 1 May 2024.

The regulator has transposed the REMIT Regulation. It is implemented through the energy market monitoring and reporting rules.

RETAIL MARKET

50%

The retail market is to be deregulated according to the schedule in the Concept of Electricity Market Model. Based on the latest amendments, the deadline for deregulation of all final customers connected to the 35-110 kV voltage levels and final customers connected to 6-10 kV voltage levels, who consume at least 1 million kWh electricity per month, was postponed by a year until 1 July 2025. All other customers are envisaged to be deregulated (except small enterprises and households) by 1 July 2026.

The concept of vulnerable customers is defined in primary legislation. One of the acts adopted in 2021 includes provisions to define vulnerable electricity customers in case the tariff for universal supplier increases. The protection of certain consumer groups is based on social vulnerability, as well as criteria in other governmental resolutions and secondary legal acts. And yet, a permanent definition of vulnerable customers still remains to be developed.

REGIONAL INTEGRATION

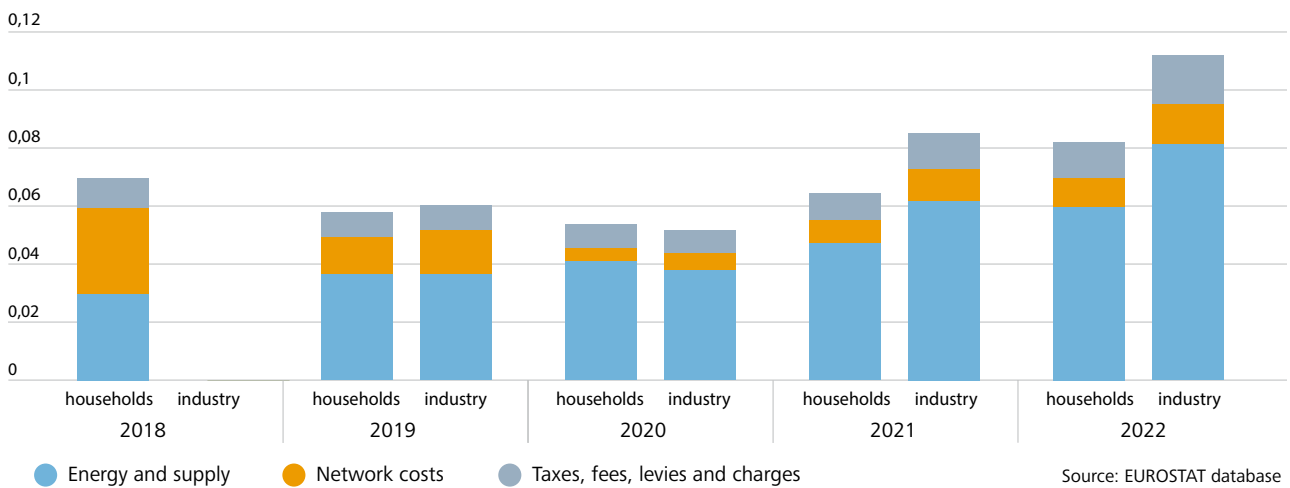
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Georgia has not transposed the TEN-E Regulation (EU) 347/2013. The national competent authority has not been established. GNERC adopted a Rule for Appraisal of Investments in the Electricity and Natural Gas Sectors. It is yet to publish the methodology and criteria used to evaluate investments in eligible infrastructure projects.

Georgia is not interconnected with other Contracting Parties or EU Member States. Thus, no regional integration at the Energy Community level is expected. Until Georgia has a physical interconnection with the EU or the Energy Community Contracting Parties' electricity markets, a derogation from cross-border co-

operation rules applies. At this stage, there is no coordinated capacity allocation of cross-border capacities with neighbouring countries, except bilateral cross-border capacity allocation on the interconnectors with Türkiye. This allocation is based on an auction with the merit order specified in the applicable electricity market rules. Rules for management of cross-border electricity flows and capacity allocation are incorporated in the draft transmission grid code. Agreements with neighbouring transmission system operators have not yet been signed. GSE closely cooperates with the Turkish transmission system operator with the intention to sign inter-TSO compensation (ITC) mechanism agreements prior to market opening planned for 1 July 2024.

Average annual prices of electricity for end users per component [EUR/kWh]





UNBUNDLING

8%

During the reporting period, Georgia has not separated control over state-owned energy companies engaged in trade and supply, and network-related activities. The country thus fails to comply with the unbundling requirements. In February 2023, the Secretariat launched an infringement procedure against Georgia for the lack of unbundling of its transmission system operators.

The unbundling plans of distribution system operators are yet to be approved. Georgia does not comply with the rules on distribution unbundling.

ACCESS TO THE SYSTEM

30%

The Natural Gas Network Rules adopted in 2018 ensure transparent and non-discriminatory third party access. Georgia is exempt from performing capacity allocation on the interconnection points, interoperability and data exchange rules. It transposed the Balancing Network Code, but did not implement it yet. GNERC allowed postponement by a year until 12 December 2023, since there is no possibility of market-based balancing. This is non-compliant as the postponement can last only for two years until December 2022. Natural Gas Distribution Network Rules are in place, although their implementation deadline was also postponed for another year until 1 January 2024. An entry-exit tariff methodology is not in place yet, consequently the tariff network code is not implemented.

WHOLESALE MARKET

26%

Wholesale trade is exercised only through bilateral contracts. The Natural Gas Market Concept Design (GMCD) conditions establish, in theory, an organized market with daily balancing

in place. Implementation as envisaged for 2023 did not take place. The gas exchange functions are currently transformed to Georgian Energy Exchange. SOCAR affiliated companies maintain dominant positions in the highly concentrated wholesale market.

RETAIL MARKET

23%

Gas is supplied to households at a tariff regulated by GNERC, and to thermal power plants (both part of the so-called “social sector”) at preferential rates established by the memorandum of understanding between the Government of Georgia and SOCAR. They are subsidized by the state-owned company GOGC. Prices are deregulated for the commercial sector, including industry and small enterprises. The supply companies are obliged to publish gas quantities and prices on their official websites for deregulated consumers.

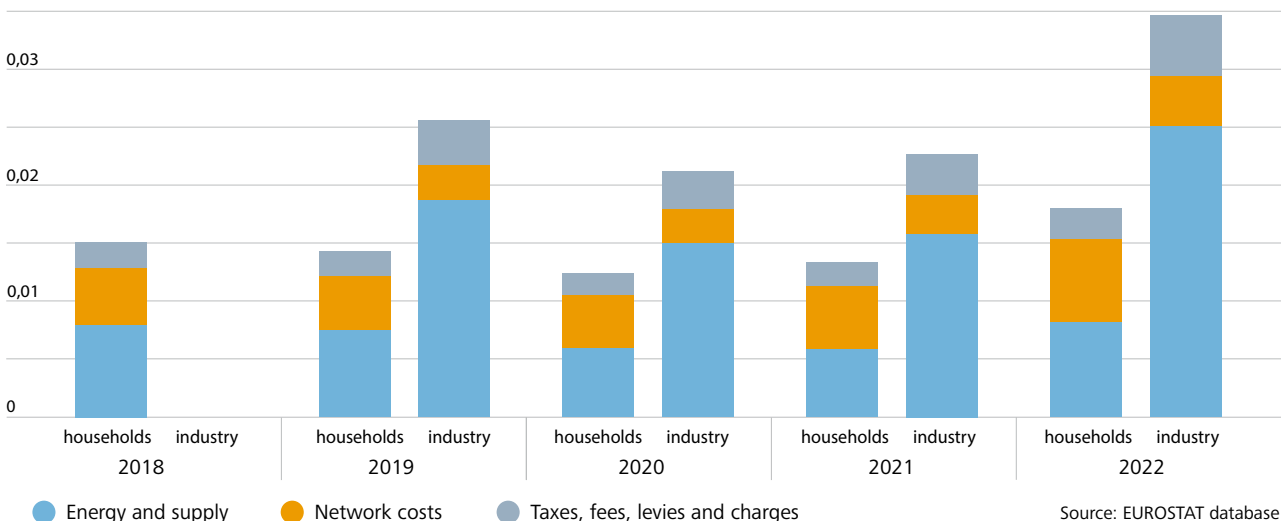
GNERC approved Natural Gas Retail Market Rules in 2021 but their implementation deadline was recently postponed to 1 January 2024. Although several governmental resolutions address the protection of a certain group of customers, a more precise definition of vulnerable customers and an efficient mechanism for their protection remains to be established.

REGIONAL INTEGRATION

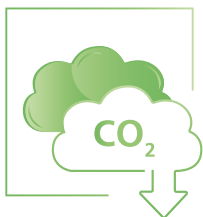
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Georgia has not transposed the TEN-E Regulation (EU) 347/2013. As Georgia is only connected with third countries, it is exempt from the application of the Energy Community gas acquis at interconnection points. Georgia features a PMI project, the expansion of the off-take infrastructure on the South Caucasus pipeline, which would enable swapping LNG with Europe, and hence allow Georgia to gain access to the global LNG market.

Average annual prices of gas for end users per component [EUR/kWh]



Source: EUROSTAT database



Georgia

Decarbonising the energy sector

GOVERNANCE / CLIMATE IMPLEMENTATION

29%



NATIONAL ENERGY AND CLIMATE PLANS

63%

Georgia has submitted a draft National Energy and Climate Plan (NECP) which includes the climate and energy targets for 2030, as an annex to the draft State Energy Policy.

GREENHOUSE GAS 2030 TARGET

10%

Georgia has not defined the 2030 climate target in its national legislation, but has defined it in the draft NECP. However, the target is not in line with the 2030 targets set by the Energy Community because it foresees 6,7 MtCO_{2eq} more emissions.

NATIONAL SYSTEMS FOR CLIMATE REPORTING

18%

There is no legal basis for a national inventory system. Georgia has not yet established a national inventory system or a national system on policies, measures, and projections.

Georgia has initiated reporting on national systems for policies and measures and projections, but has yet to submit a report.

NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

13%

Reporting obligations have not been transposed in legislation. Georgia nominated lead reporters for the Governance Regulation reporting activities and initiated a reporting process on policies and measures (PaMs), without submitting a report. In the context of Reportnet system, no reporting activity was initiated on adaptation strategies and carbon revenue.

LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

41%

The legal basis for a long-term strategy has not been adopted. Nonetheless, Georgia submitted its long-term strategy to the UNFCCC Secretariat in July 2023 with a 2050 climate neutrality objective.



2030 RENEWABLE ENERGY TARGETS **73%**

The overall target of achieving a 27,4% share of renewable energy in the gross final energy consumption, as outlined in the draft NECP, is in line with the 2030 target set by the Energy Community. The 2030 RES target is subdivided into sectorial targets for electricity (85%), transport (10,45%), and heating and cooling (7%). Following Article 26 of the Renewable Energy Directive (REDII), Georgia has adjusted its minimum target for renewable energy in transport to 7% by 2030. The 2030 target for renewable energy in the heating and cooling sector of 7% does not align with Article 23 of REDII.

QUALITY OF SUPPORT SCHEME **37%**

In December 2022, Georgia passed legislation enabling a market-based support scheme in the form of contracts for difference. The first auction was carried out in 2023. Nevertheless, to fully operationalize the scheme, it is crucial to adopt amendments to the Renewable Energy Law to create a comprehensive regulatory framework. Moreover, intraday and day-ahead electricity markets need to be established.

SELF-CONSUMPTION AND ENERGY COMMUNITIES **50%**

Currently, Georgia has implemented a self-consumption scheme in the form of net metering for micro-power plants with up to 500 kW capacity. Amendments to the Renewable Energy Law are necessary to facilitate the establishment of renewable energy communities in accordance with REDII requirements.

GUARANTEES OF ORIGIN **45%**

In February 2023, Georgia became the first Contracting Party to launch an electronic registry for guarantees of origin (GOs) under the umbrella of the regional project implemented by the Energy Community Secretariat. Presently, GOs are exclusively issued for renewable electricity. To establish a fully operational GOs system, it is essential to implement disclosure rules and formulate a methodology for calculating the residual energy mix. Additionally, amendments to the Renewable Energy Law must be adopted to expand GO to other energy carriers, as outlined in REDII.

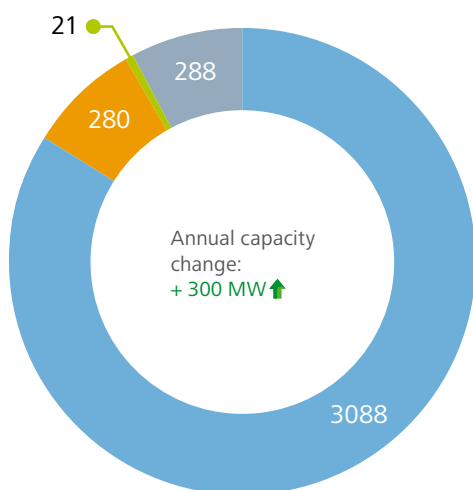
SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS **0%**

Provisions related to the sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids, and biomass are not transposed, and the legal framework remains completely non-compliant with REDII. The Renewable Energy Law should be amended to incorporate these provisions.

RENEWABLE ENERGY IN HEATING AND COOLING **25%**

There was no significant progress concerning the integration of renewable energy in the heating and cooling sector of Georgia. To meet the requirement of increasing renewable energy by 1,1 percentage points as set in Article 23 REDII, the creation of a framework and measures for the integration of renewable energy, including heat pumps in individual heating systems, is needed.

Total Capacities of Renewable Energy 2022 (MW)

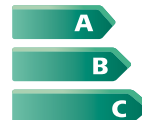


- Large hydropower
- Pumped storage
- Wind
- Solar

Total capacities of renewable energy (MW):

3677

Source: Ministry of Economy and Sustainable Development



ENERGY EFFICIENCY IMPLEMENTATION

56%

2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

68%

The 2030 energy efficiency targets as outlined in the draft NECP are aligned with the 2030 targets set by the Energy Community. This is also true for specific targets related to the implementation of Article 5 and Article 7 of 2012 Energy Efficiency Directive (EED).

To transpose the Clean Energy Package, amendments to the Energy Efficiency Law, as well as amendments to the Law of Energy Performance of Buildings are being finalized and planned to be submitted to the Parliament by the end of 2023.

ENERGY EFFICIENCY IN BUILDINGS

78%

A Law on Energy Performance of Buildings and key by-laws are in place. The minimum energy performance requirements for buildings or building units and building elements, and the national calculation methodology were adopted. Georgia adopted rules on certificate registration, inspection reports registry and independent experts in May 2023, and rules on energy performance calculating tools in July 2023. Further amendments of the Law to transpose the Energy Performance of Buildings Directive 2018/844/EC are planned to be finalized by the end of 2023. The remaining by-laws (certification rules, regulation on inspection of heating and air-conditioning systems, etc.) were drafted. The long-term renovation strategy for stimulating investment in the renovation of buildings is still in the drafting phase.

ENERGY EFFICIENCY SCHEME AND FINANCING

51%

The energy efficiency obligation target is currently being updated in accordance with the 2030 framework and with new alternative measures to be incorporated in the draft NECP and the draft Energy Efficiency Law. In 2023, Georgia adopted a package of by-laws and model contracts for energy performance contracting as a new model of financing energy efficiency improvement measures.

ENERGY EFFICIENT PRODUCTS – LABELLING

51%

The Law on Energy Labelling adopted in 2019 transposed the Framework Labelling Regulation (EU) 2017/1369. In April 2023, three new technical regulations were adopted, regulating energy labelling of domestic ovens and range hoods, space heaters, water heaters and storage tanks. The remaining implementing product regulations required by the Law are in the adoption procedure.

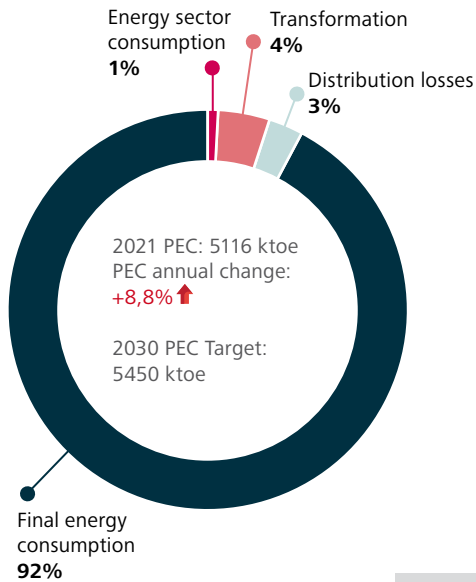
EFFICIENCY IN HEATING AND COOLING

35%

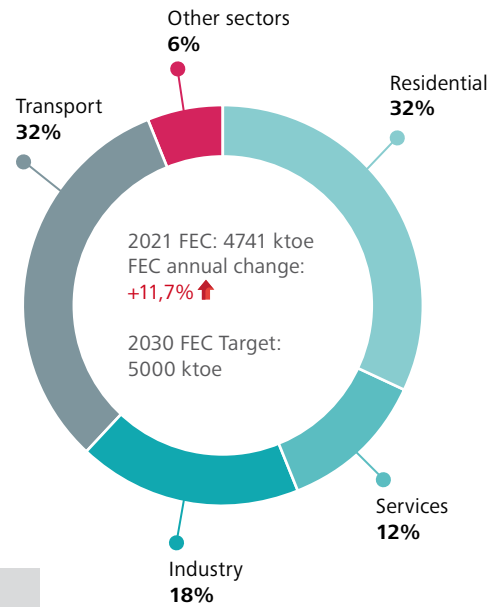
In 2023, Georgia initiated a support programme for the production and purchase of energy-efficient biomass stoves. While there is a legal basis for developing a comprehensive assessment of the potential for efficient heating and cooling, the performance of such an assessment in line with Article 14 EED is needed.

2021 Energy Efficiency Indicators and Trends

Primary Energy Consumption (PEC)



Final Energy Consumption (FEC)



Energy intensity,
2021 value and trends:
0,37 ktoe/mil EUR, **-2,5%** ↓

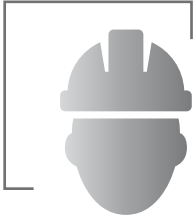
Source: EUROSTAT 2023 data, draft NECP and 2022 Ministerial Council Decision

Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
●	●	●	●	n/a

● In place ● In progress ● Not in place

Source: compiled by the Energy Community Secretariat



Georgia

Ensuring energy security



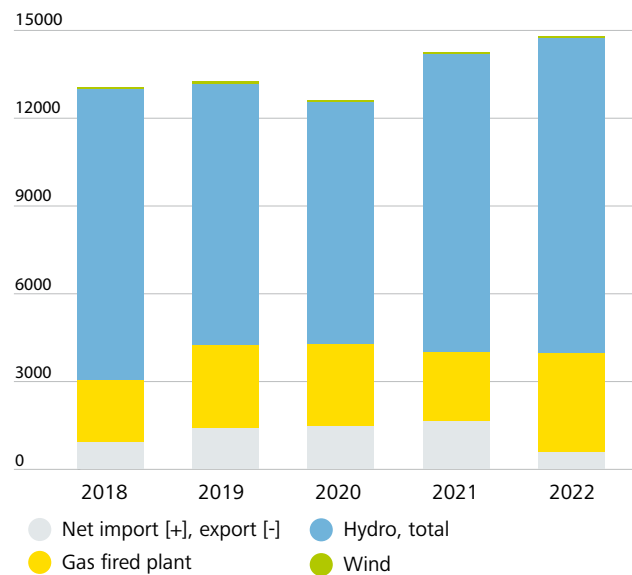
ELECTRICITY SECURITY OF SUPPLY

38%

Georgia adopted rules on electricity security of supply and has transposed the majority of the Risk-preparedness Regulation (EU) 2019/941. The Ministry of Economy and Sustainable Development of Georgia is appointed as the competent authority in line with Article 3 of Regulation (EU) 2019/941. A draft risk preparedness plan exists, but has not been approved yet. The annual Security of Supply Statement has been prepared since 2021.

There is no specific cybersecurity regulation regarding energy companies in Georgia. The Information Security Law divides different entities and institutions into three categories of cybersecurity importance, including energy companies. Critical infrastructure has been designated.

Fuel mix and primary supply of electricity (in GWh)



Source: Ministry of Economy and Sustainable Development of Georgia, compiled by the Energy Community Secretariat



GAS SECURITY OF SUPPLY

5%

Georgia did not transpose Regulation (EU) 2017/1938. The Rules on Security of Natural Gas Supply are in an advanced stage and their adoption would rectify the country's non-compliance. The

country does not have gas storage and is exempted from the Storage Regulation.



OIL SECURITY OF SUPPLY

10%

Georgia does not have emergency oil stocks. The Parliament still needs to adopt the draft Oil Stockholding Act prepared with the assistance of the Secretariat in 2017. The main obstacle is the storage capacity shortage. No procedures are in place for the release of emergency oil stocks. In the event of a supply disruption, the draft Law foresees the release of the stocks to

be based on a ministerial decree.

Monthly oil statistics are partially reported.

No progress was achieved during this reporting period. Georgia is non-compliant with regards to the oil acquis.



Georgia

Improving the environment

ENVIRONMENTAL ASSESSMENTS

60%

Georgia amended the Environmental Assessment Code to improve coordination in the environmental decision-making process in both the Environmental Impact Assessment (EIA) and the Strategic Environmental Assessment (SEA) processes. The responsibility of organizing all public hearings has been entrusted to a single agency, the Environmental Information and Education Centre of the Ministry of Environmental Protection and Agriculture of Georgia. Additionally, an electronic platform to enhance the participation process became operational in the reporting period, though its efficiency and effectiveness is yet to be assessed. Prolonging the applicability of the transitional provisions in the Environmental Assessment Code for unauthorized projects continues to exempt certain projects from undergoing an EIA, which is not in line with Article 8(a) of the EIA Directive. Whilst none of the modifications to the operational conditions of hydropower plants underwent an EIA, thirteen greenfield hydropower plants were subjected to a thorough assessment. In the ongoing deliberations concerning the Namakhvani hydro-power project, it is imperative to adhere to the environmental and financial review agreed within the mediation process to ensure responsible governance.

The National Energy Policy (NEP) and the National Energy and Climate Plan (NECP) were made subject to a joint SEA, with a scoping opinion encompassing both documents. The draft versions underwent multiple consultation discussions before the preparation of the SEA scoping opinion. The public consultation for the draft SEA report on NEP and NECP is ongoing, and the anticipated public hearing is to take place by the end of 2023.

LARGE COMBUSTION PLANTS

77%

Georgia complied with its reporting obligations under the Large Combustion Plants Directive in March 2023. The average emissions of the five gas-fired installations falling under the scope of the Large Combustion Plants Directive (and one new plant under the Industrial Emissions Directive) are compliant with the emission limit values of the respective Directives. The emissions of two plants are however very close to the limit and they do not apply continuous measurements.

A new Law on Industrial Emissions was adopted by the Parliament in June 2023. The Law introduces an integrated permitting system and the concept of best available techniques. According

to the Law, the Government shall adopt a decree with specific rules for combustion plants by 1 September 2025 which is required for full compliance.

SULPHUR IN FUELS

67%

The requirements and thresholds of the Sulphur in Fuels Directive, including those on marine fuels, are transposed by the Government Order on the Establishment of Sulphur Content Limit Values since 2021. Amendments for the establishment of a sampling system and appropriate analytical methods were developed and are to be submitted to the Government for approval still in the course of 2023. In addition, an amendment to the Code of Administrative Offences is currently being developed with the aim to introduce sanctions for non-compliance with the sulphur thresholds in heavy fuel oil, gas oil and marine fuel. The adoption of this amendment is important to achieve full transposition.

NATURE PROTECTION

33%

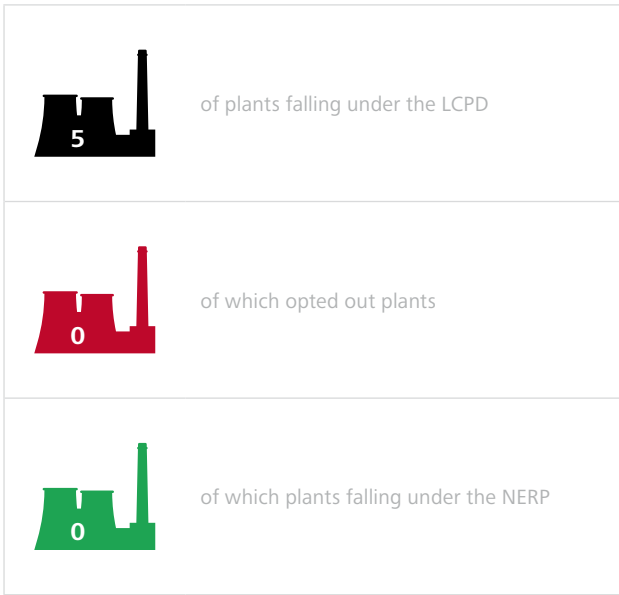
The draft Law on Biodiversity faced a setback as it was not adopted and subsequent actions are yet to be taken. A regulatory impact assessment is yet to take place before the draft is submitted to the Government. The Ministry of Environmental Protection and Agriculture, in collaboration with scientists, initiated a revision of the list and categories of certain species based on the latest studies. The research of the National Biodiversity Strategy and Action Plan is outdated, which calls for an urgent update to align with current ecological considerations and scientific insights.

ENVIRONMENTAL LIABILITY

80%

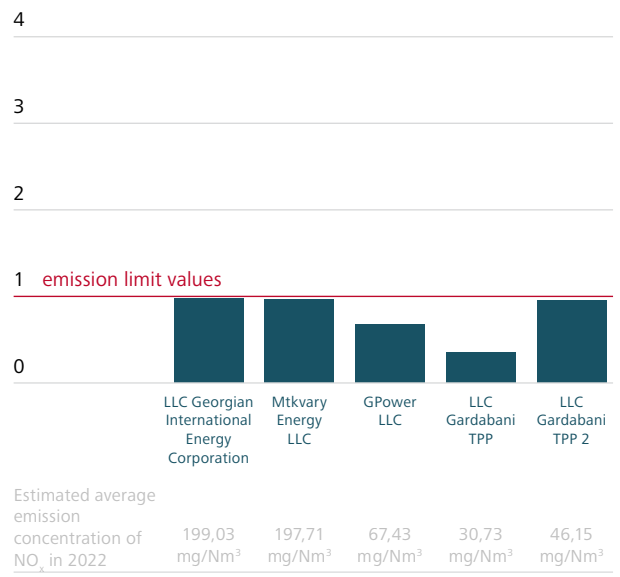
With the Law on Environmental Liability, in force since March 2021, and four government resolutions necessary for its implementation adopted in 2022, Georgia has transposed the Directive 2004/35/EC. Financial security instruments for the risks of environmental damage are established in the form of insurances and bank guarantees. The amount of financial security shall be determined based on the assessment of the risks of environmental damage, consisting of a risk assessment, a processing of the risks and an identification of expenses and a cost estimation for the worst-case scenario.

Installations under the Large Combustion Plants Directive



Source: compiled by the Energy Community Secretariat

2022 emissions of NO_x versus applicable emission limit values (ELV)





Georgia

Performance of authorities



REGULATORY AUTHORITY

93%

The legal framework that governs the functioning of the Georgian National Energy and Water Supply Regulatory Commission (GNERC) is fully aligned with the Energy Community legislation.

In 2023, GNERC continued its efforts to implement the acquis; among others, it adopted the electricity market rules and

dispute resolution rules. In 2023, GNERC sanctioned several electricity and gas distribution system operators for breaching the network codes and quality of supply rules. Regulation of household prices below costs continues.



COMPETITION AUTHORITY

15%

The national regulatory authority GNERC is responsible for the enforcement of the competition acquis in the electricity and natural gas sectors. However, GNERC has never investigated nor decided on any anti-competitive conduct in the energy sectors.

Full compliance with its obligations under the Treaty would require effective enforcement of the competition acquis in the energy sectors.



STATE AID AUTHORITY

10%

The current Law on Competition is not fully aligned with the State aid acquis. In particular, it does not require authorities to notify aid before it is granted and does not grant the power to render negative decisions and order recovery. Georgia does not comply with its obligations under Treaty in terms of effective

enforcement of the State aid acquis since neither the Competition Agency nor GNERC consider themselves to be competent. A clear decision on competence and the subsequent active use of this competence is key to Georgia's compliance with the Treaty.



STATISTICAL AUTHORITY

97%

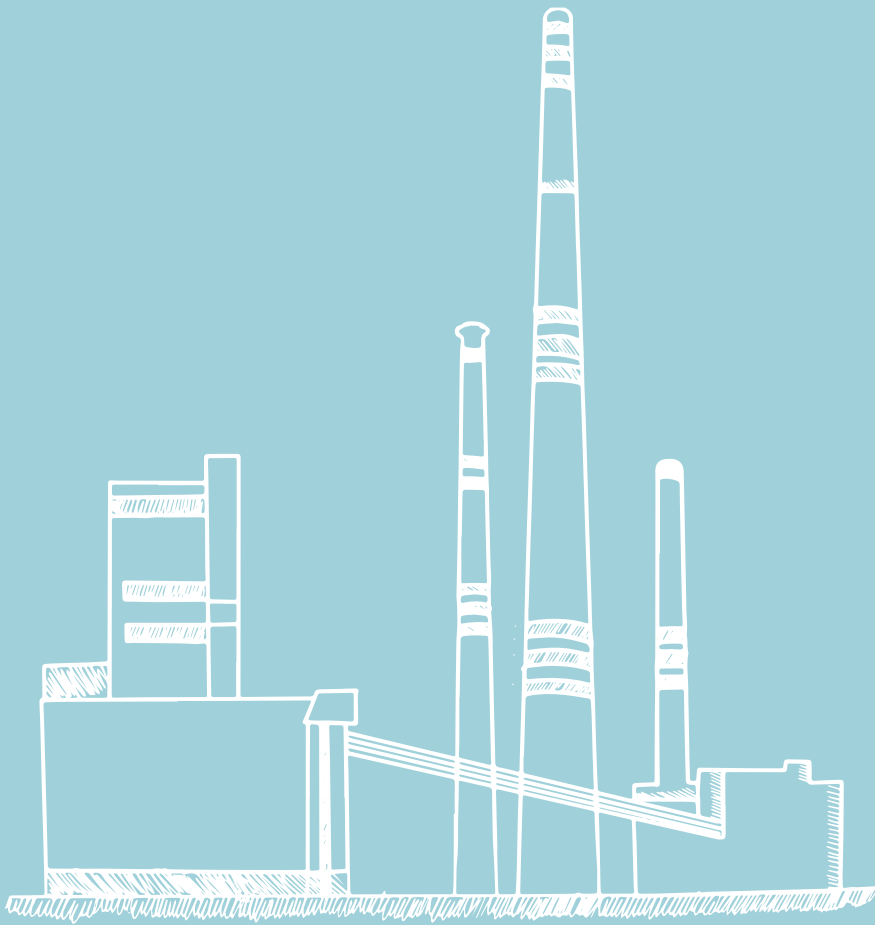
The national statistics institute GEOSTAT produces the energy statistics. The five questionnaires and disaggregated data on final energy consumption of households are transmitted to and published by EUROSTAT, in compliance with Annex B of Regulation (EC) 1099/2008 on Energy Statistics, as well as SHARES questionnaire and preliminary annual data for 2022.

The quality report in the 2022 cycle, with the metadata for transmitted energy statistics for the previous reporting cycle was submitted to EUROSTAT, as required by Regulation (EC) 1099/2008.

Georgia has been transmitting all monthly data collections from Annex C of Regulation (EC) 1099/2008 timely, except for the crude oil import registry which has to be formally transmitted even in the absence of crude oil imports. The transmission of statistics on prices of natural gas and electricity charged to end-users, broken down by consumption band, taxation level and price component, has been conducted from 2018 onwards in full compliance with the acquis. Quality reports on electricity and natural gas price statistics are transmitted and published.

07

Kosovo*















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GJERGJ KASTRIOTI
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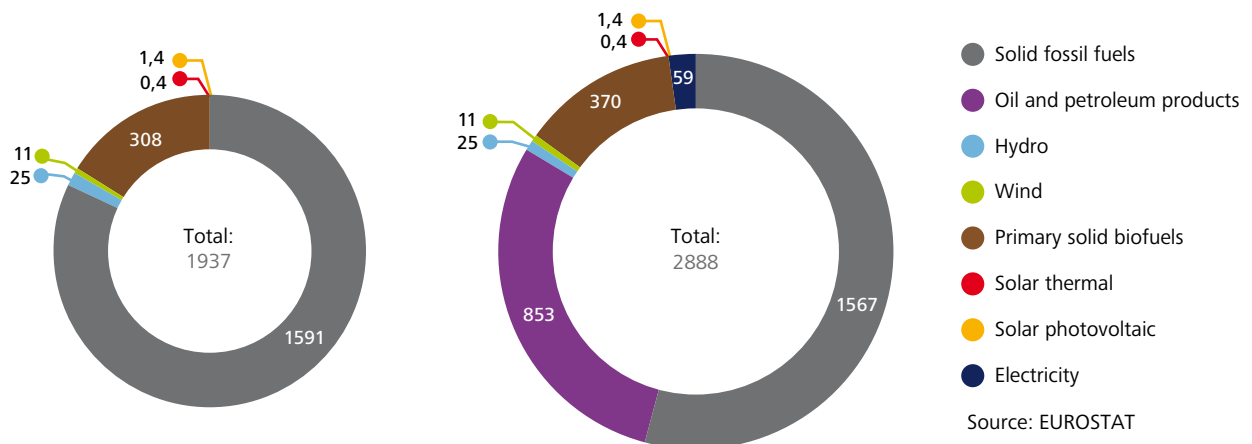
Kosovo*

IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 Markets and integration	 76%	Opening of the day-ahead electricity market and its coupling with Albania is delayed. Kosovo* should proceed with the market coupling of Albania – Kosovo*, as well as with the adoption of the laws transposing the Electricity Integration Package.
 Decarbonising the energy sector	 49%	During the reporting period, Kosovo* submitted to the Secretariat its draft NECP and launched its inaugural solar PV auctions. Kosovo* should adopt the long-term building renovation strategy and adopt of the Renewable Energy Law in line with the acquis.
 Ensuring energy security	 39%	Significant unintentional deviations of the control area of Kosovo* and delayed payment for the costs incurred continue to represent a risk to the operational security in the synchronous area. The Law on Security of Networks and Information systems was adopted in February 2023. Kosovo* should transpose Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector and start its implementation with the designation of a competent authority.
 Improving the environment	 45%	The implementation status in the area of environment remains at a low level. The long-standing breach of non-compliance with the National Emission Reduction Plan ceilings remains unaddressed. Emission abatement measures must be taken immediately to address this.
 Performance of authorities	 68%	By approving a set of rules governing the power exchange operation and appointing the NEMO, ERO created one of the prerequisites for further market integration in line with the Electricity Integration Package. The State Aid Commission remains inoperational due to the failure to appoint its members. The establishment of an operational State aid authority constitutes a priority.

2021 Fuel mix in primary production of energy (in ktoe)

2021 Gross available energy per product (in ktoe)



Overall number of cases: **1**

Procedure under Article **91** EnCT

ECS-5/22 Environment



Kosovo*

Markets and integration

ELECTRICITY

76%



UNBUNDLING

100%

The transmission system operator KOSTT is unbundled and certified.

The distribution system operator KEDS is unbundled and a compliance programme was established. The compliance report for 2022 was published by the compliance officer.

ACCESS TO THE SYSTEM

90%

Grid codes, approved by the regulator, and tariffs calculated based on applicable methodologies for the use of the network define the access to the transmission and distribution system. As of April 2023, new distribution and transmission tariffs are applicable.

The Connection Codes are transposed and are implemented through the grid codes.

The Transparency Regulation is partially implemented. KOSTT publishes information on generation, however data on consumption and transmission are not fully covered. KOSTT fails to publish data on balancing.

WHOLESALE MARKET

67%

The go-live of the day-ahead and intraday market to be operated by the Albanian power exchange ALPEX, as well as market coupling of Albania – Kosovo*, is expected to take place at the end of 2023 or the beginning of 2024. The rules for the day-ahead market have been approved.

The bulk supply agreement between the incumbent producer Kosovo Energy Corporation (KEK) and the universal supplier KESCO is still in place. It impedes the further development of the wholesale market. Furthermore, electricity produced by KEK is offered to network operators to cover losses, while the remaining demand is covered by imports.

A balancing market is established and operates under regulated prices approved by the regulator. Such regulated prices will need to be reassessed under the new Electricity Integration Package which requires free price formation.

KOSTT failed to resolve the problem of unintentional deviations in its control area, and to ensure compliance with its obligations under the Connection Agreement with ENTSO-E.

The REMIT Regulation is transposed and implemented.

RETAIL MARKET

50%

Although free to choose their supplier, all customers except those on high voltage were supplied at regulated prices. The block tariff structure with a consumption threshold of 800 kWh per month to incentivise household customers to reduce demand, introduced during the energy crisis, is still in place.

KESCO continues to act as universal service supplier for another year as from 1 April 2023. KEK was appointed as supplier of last resort for a period of three years starting from 31 July 2022. This appointment by the regulator ERO followed two unsuccessful tenders.

As of 24 June 2022, the electricity supply company Elektrosever is licensed to supply customers in four municipalities in the north of Kosovo* for a period of five years. KOSTT and Elektrosever have reached agreements for adherence to market rules, purchase and sale of electricity for renewable energy sources and balancing. A sub-contractor between KEDS and Elektrosever is still pending.

Primary legislation acknowledges the concept of vulnerable consumers. The Ministry of Labour and Social Welfare defines the criteria, and the Government determined subsidies to cover electricity prices of vulnerable customers.

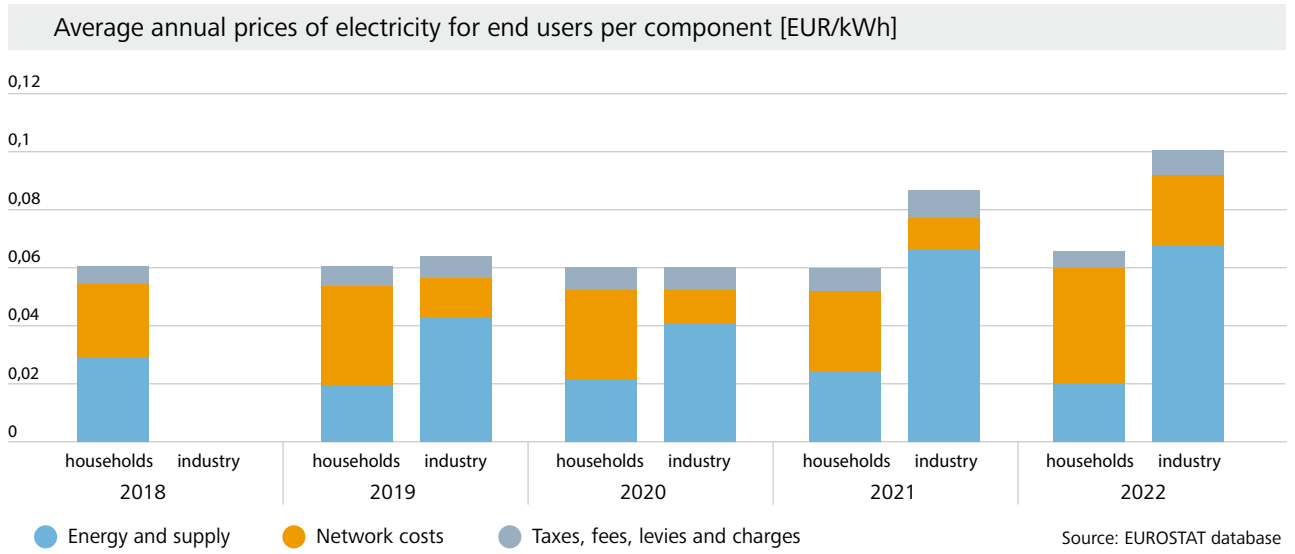
REGIONAL INTEGRATION

62%

The regional auction platform SEE CAO is used to allocate the majority of cross-border capacities. Only for the intraday time-frame is the allocation done bilaterally between the respective system operators. For the interconnection with Serbia, no allocation of capacities takes place and common rules have not been agreed.

The Albania – Kosovo* control block cooperates on cross-border balancing, in particular by sharing secondary reserve based on a common agreement between KOSTT the incumbent Albanian generator.

Kosovo* has transposed and implemented the TEN-E Regulation (EU) 347/2013. The national competent authority regularly informs the Secretariat on the development of PECE projects.



GAS

n.a.



UNBUNDLING

0%

Should Kosovo* connect to the European gas networks, any future transmission system operator must apply the ownership unbundling model.

ACCESS TO THE SYSTEM

0%

The rudimentary gas acquis requirements for unhindered access were transposed by the Law on Natural Gas.

WHOLESALE MARKET

0%

Kosovo* does not have a gas market, though it has a basic regulatory framework in place.

RETAIL MARKET

0%

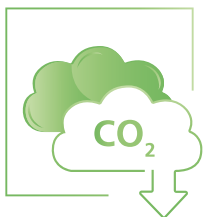
Kosovo* transposed basic elements for the protection of customers.

REGIONAL INTEGRATION

0%

Kosovo* has transposed and implemented the TEN-E Regulation (EU) 347/2013.

There is currently no gas infrastructure in Kosovo*. The Albania – Kosovo Gas Pipeline (ALKOGAP) is a PEI project, albeit not actively pursued. The North Macedonia – Kosovo* interconnector is also a PEI project, the development of which has not been picked up during the reporting period.



Kosovo*

Decarbonising the energy sector



GOVERNANCE / CLIMATE IMPLEMENTATION

43%

NATIONAL ENERGY AND CLIMATE PLANS

33%

Kosovo* has submitted its draft National Energy and Climate Plans (NECP) slightly after the legal deadline. The draft includes the 2030 climate and energy targets.

GREENHOUSE GAS 2030 TARGET

80%

Kosovo* has not defined the 2030 climate target in its national legislation, but has defined it in the draft NECP. The target is in line with the 2030 targets set by the Energy Community.

NATIONAL SYSTEMS FOR CLIMATE REPORTING

68%

There is a legal basis for a national inventory system. Kosovo* has made progress recently through the adoption of the Law on Climate Change by the Government, which provides the institutional framework for a national greenhouse gas emissions reporting system for inventories.

Kosovo* has initiated reporting on national systems for policies and measures and projections, but has yet to submit a report in Reportnet.

NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

33%

Reporting obligations have been transposed in the legislation. Kosovo* has nominated lead reporters for the Governance Regulation reporting activities. In the context of Reportnet system, reporting on policies and measures (PaMs), as well as on adaptation strategies and carbon revenues is pending.

LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

0%

The legal basis for a long-term strategy has not been adopted. Kosovo* has not yet adopted a long-term strategy with a 2050 climate neutrality objective. It remains unclear if and how such an objective will be reached.



2030 RENEWABLE ENERGY TARGETS 60%

The overall target of achieving a 32% share of renewable energy in the gross final energy consumption, as outlined in the draft NECP, is in line with the 2030 target set by the Energy Community. The overall 2030 renewable energy target is subdivided into sectorial targets for electricity (45%), transport (3,6%), and heating and cooling (49,6%). The 3,6% target for transport does not align with the minimum requirement of 7% mandated by the Renewable Energy Directive (REDII), nor is the target for renewable energy in heating and cooling of 49,6% aligned with Article 23 of REDII.

QUALITY OF SUPPORT SCHEME 37%

The Energy Law currently prescribes a support scheme based on administratively set feed-in tariffs. However, since December 2020, the allocation of feed-in tariffs has been suspended. In May 2023, the Government initiated Kosovo*'s inaugural solar power auction for a 15-year power purchase agreement that will subsequently be transformed into a contract for difference. It remains of utmost importance to adopt a new Renewable Energy Law and establish a comprehensive legal framework for a market-based support scheme. The draft Renewable Energy Law has been finalized.

SELF-CONSUMPTION AND ENERGY COMMUNITIES 50%

Self-consumption is operating effectively in Kosovo* through a net billing scheme for installations with an installed capacity of up to 100 kW. The adoption of the new Renewable Energy Law is crucial to facilitate the establishment of renewable energy communities in accordance with REDII requirements.

GUARANTEES OF ORIGIN 25%

Kosovo* joined the Energy Community initiative to establish a regional system for guarantees of origin. The national electronic registry for guarantees of origin (GOs) in Kosovo* was created and can be utilized as soon as the energy regulator, as the designated issuing body, signs an agreement with the service provider. It is expected that the regulator will promptly conclude the agreement and initiate the utilization of the registry starting from January 2024. The existing legal framework governs the issuance of GOs solely for renewable electricity, without encompassing other energy carriers as specified in REDII.

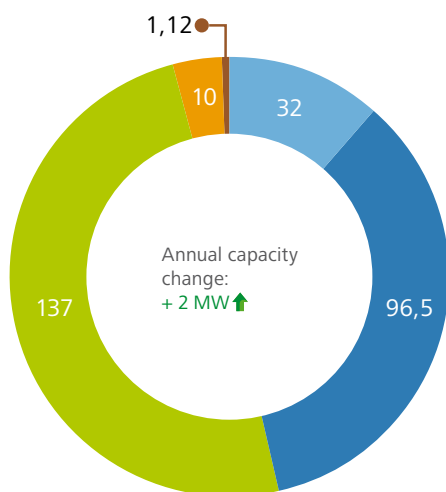
SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS 0%

Provisions related to the sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids, and biomass fuels are still not transposed and the legal framework remains completely non-compliant with REDII. It is crucial to adopt the new Renewable Energy Law that includes these provisions.

RENEWABLE ENERGY IN HEATING AND COOLING 33%

In December 2022, a solar district heating project in Prishtina comprising a solar collector field of 58.000 square meters, seasonal heat storage of 410.000 cubic meters, and an absorption heat pump received a EUR 36 million grant. It is expected to be completed in 2028. While this is a significant step towards the decarbonization of heating, the adoption of the renewable energy law that creates a framework for further integration of renewable energy in heating and cooling is needed.

Total Capacities of Renewable Energy 2022 (MW)



- Large hydropower
- Small hydropower <10 MW
- Wind
- Solar
- Biomass

Total capacities of renewable energy (MW):

277

Source: Ministry of Economy

ENERGY EFFICIENCY IMPLEMENTATION

69%



2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

70%

The 2030 energy efficiency targets as outlined in the draft NECP are aligned with the 2030 targets set by the Energy Community. This is also true for specific targets related to the implementation of Article 5 and Article 7 of 2012 Energy Efficiency Directive (EED). The Energy Efficiency Law is still under the amendments process to reflect the more ambitious targets and policies under the Clean Energy Package. A 2022 - 2025 National Action Plan for Energy Efficiency was prepared to cover the gap until the NECP is adopted.

ENERGY EFFICIENCY IN BUILDINGS

86%

Kosovo* adopted the necessary by-laws to implement the Law on the Energy Performance of Buildings. Kosovo* drafted amendments of the above Law to transpose Directive 2018/844/EC, which are currently in parliamentary procedure.

The Government is working on updating by-laws and the energy performance calculation software, the draft plan to boost nearly zero-energy buildings and a building renovation strategy. They have not been adopted.

ENERGY EFFICIENCY SCHEME AND FINANCING

73%

The 2018 Law on Energy Efficiency defined an energy efficiency obligation and target. However, the Law is currently undergoing amendments to reflect the more ambitious energy efficiency targets set by the amended EED. The Energy Efficiency Fund continued public calls for improvement of energy efficiency on municipal level, while the Ministry introduced different subsidies to support citizens during the energy crisis. Rules on energy efficient public procurement, ESCOs and energy performance and supply contracts are in line with the acquis.

ENERGY EFFICIENT PRODUCTS – LABELLING

53%

With the support of the Regional Energy Efficiency Programme, in the course of 2023, the Ministry drafted the first energy labelling and eco-design rulebooks covering lighting products. It also organized trainings for inspectorate staff and suppliers. However, Kosovo* still fails to adopt and implement the Labelling Directive and other delegated regulations, as updated by the Ministerial Council in 2023.

EFFICIENCY IN HEATING AND COOLING

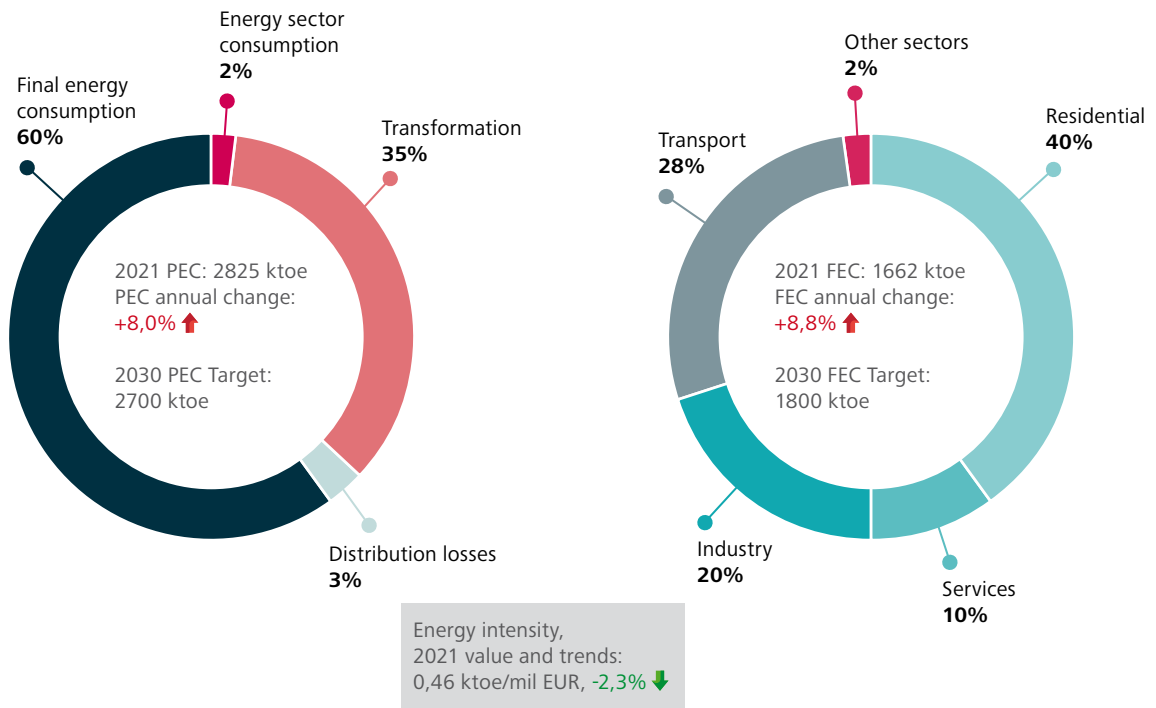
62%

In 2023, Kosovo* supported households with subsidies to purchase more efficient heating appliances, including heat pumps, wood, pellets, and briquette stoves. The preparatory work for implementing consumption-based billing in the district heating system in Prishtina is progressing and expected to be implemented this winter. The ongoing feasibility study for developing new district heating systems in eight cities should take into account Article 14 of EED on developing a comprehensive assessment.

2021 Energy Efficiency Indicators and Trends

Primary Energy Consumption (PEC)

Final Energy Consumption (FEC)



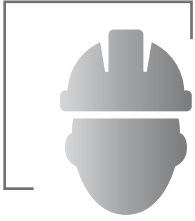
Source: EUROSTAT 2023 data, draft NECP and 2022 Ministerial Council Decision

Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
●	●	●	●	●

● In place ● In progress ● Not in place

Source: compiled by the Energy Community Secretariat



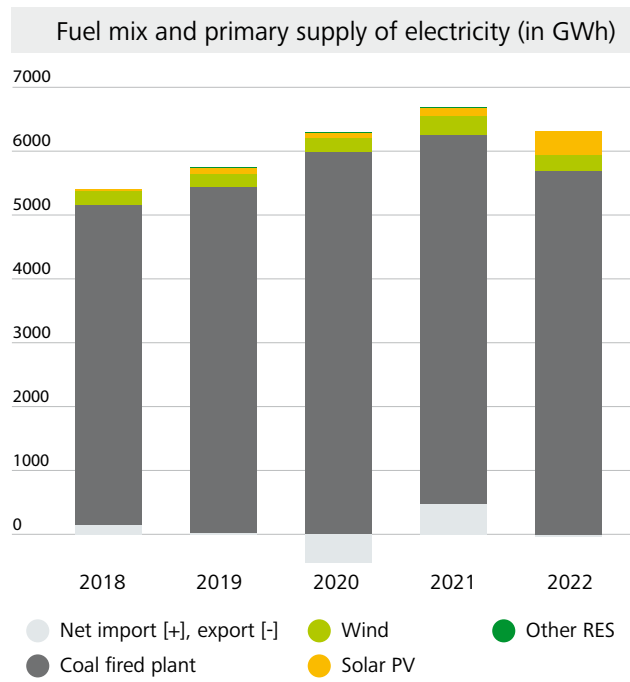
Kosovo*

Ensuring energy security

ELECTRICITY SECURITY OF SUPPLY 55%

Directive 2005/89/EC is transposed and implemented through secondary legislation. The Security of Supply Statements are regularly prepared. No load shedding occurred in the reporting period but significant unintentional deviations in 2023 have been creating a risk for the operational security of the whole synchronous area.

The regulator ERO has drafted a cybersecurity strategy for the energy sector 2023 - 2027. The Law on Security of Networks and Information Systems was adopted in February 2023. The Ministry of Economy is the leading implementing institution.



Source: Ministry of Economy, compiled by the Energy Community Secretariat

GAS SECURITY OF SUPPLY n.a.

Kosovo* is subject to a derogation from applying the Gas Security of Supply and Storage Regulations. Security of supply rules are in place.

OIL SECURITY OF SUPPLY 0%

In Kosovo*, the oil sector's primary law is the Oil Market Law, as amended. The draft Law on Compulsory Oil Stockholding was expected to be adopted in the fourth quarter of 2022 or the first quarter of 2023. It is still pending.

No data are reported.

No progress was achieved during this reporting period. Kosovo* is non-compliant with the oil acquis.

There are no procedures in place to release emergency oil stocks.



Kosovo*

Improving the environment

ENVIRONMENTAL ASSESSMENTS **43%**

Kosovo* adopted a new Law on Environmental Impact Assessment (EIA). It falls short of full transposition of the EIA Directive. The incorporation of the Directive's provisions on public participation and EIA expert examination into secondary legislation is still missing. The existing institutional capacity, which remains unchanged and insufficient, to effectively fulfill the obligations stemming from the new legislation, hinders Kosovo*'s ability to timely and efficiently examine EIA. Nonetheless, Kosovo* reported that it screened over 40 photovoltaic power plant projects, all of which were subsequently subjected to an EIA. An investor-State dispute linked to approved hydropower plants without a proper EIA process remained unaddressed at the governmental level. The adoption of an administrative instruction designed to enhance access to environmental information and promote increased public involvement in the decision-making processes is still awaiting approval.

The new draft Law on Strategic Environmental Assessment (SEA) was approved by the Government. It introduces mandatory scoping and addresses issues related to the SEA report content and NATURA 2000 networks. The revision of the secondary legislation related to the consultation process in the SEA is yet to commence. The procedure for drafting the NECP was initiated, but the SEA procedure for the plan has not started.

LARGE COMBUSTION PLANTS **47%**

Kosovo* complied with its emissions reporting obligations for the reporting year 2022 in March 2023, and submitted corrections to its emissions data in September 2023. As the significant breach of the NERP ceilings in the case of all three pollutants remains unaddressed, the Secretariat referred the matter to the Ministerial Council. In 2022, emissions of all three pollutants decreased slightly. This however does not address the non-compliance, especially when taking into account the decrease in the NERP ceilings from 2023 onwards.

SULPHUR IN FUELS **92%**

Transposition of the Sulphur in Fuels Directive's provisions was achieved via the Administrative Instruction on the Technical Requirements for Import, Storage, Wholesale and Retail Sale of Petroleum Fuels. Quality control of the fuels falling under the scope of the Directive as well as their sampling and analysis is carried out by the customs authorities at border crossing points. The marine fuels provisions do not apply in the case of Kosovo*.

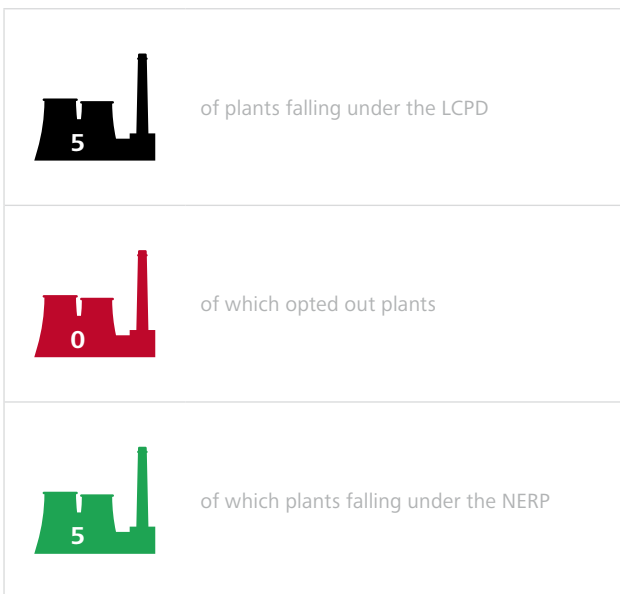
NATURE PROTECTION **27%**

No draft has been formulated to address the deficiencies of the Law on Nature Protection, which remains unaligned with the updated EIA and SEA procedures. Kosovo* continues to lack the necessary inventory of wetlands required for the legal protection of Ramsar sites. No efforts have been made to draft a management plan for the artificial Special Protection Area (SPA) for birds "Henc". Managing the Monuments of Nature continues to be a challenge due to the lack of finance. There have been no new designations for protection, and the problem of hydropower development within nature-protected areas remains unaddressed.

ENVIRONMENTAL LIABILITY **0%**

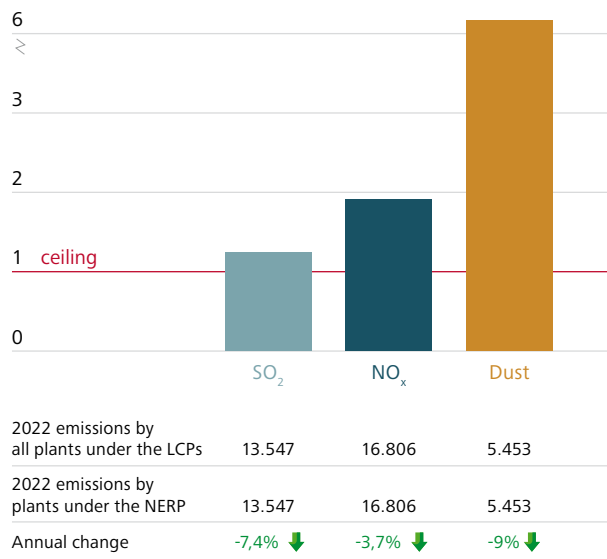
The Environmental Liability Directive has not yet been transposed into national legislation. To address the issue, the Secretariat referred a case to the Ministerial Council in July 2023.

Installations under the Large Combustion Plants Directive



Source: compiled by the Energy Community Secretariat

2022 emissions versus NERP ceilings





Kosovo*

Performance of authorities



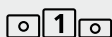
REGULATORY AUTHORITY

87%

To a great extent, the legal setup of the Energy Regulatory Office (ERO) is in line with the Energy Community acquis. However, the reasons for dismissal are not limited to cases of criminal offence or in compliance with independence.

In the reporting period, ERO, jointly with ERE (Albania), approved the electricity market rules, appointed ALPEX to be the NEMO, and adopted the fees for ALPEX within the Kosovo* bidding zone and the methodology for congestion revenue

allocation between Albania and Kosovo*. Rules for closed distribution systems were also adopted. The regulator continued to be active in promoting self-consumption of customers by approving the rules for self-consumers from renewable sources. ERO also carried out performance audits of licensees and issued decisions on fines. On the other hand, ERO delays the retail market opening since 2018, namely for customers connected to 35 and 10 kV networks. For certain customer categories, prices do not fully reflect costs.



COMPETITION AUTHORITY

55%

The Kosovo Competition Authority has not yet finalised its investigation into the abuse of dominance by KEDS and KESCO by creating barriers to entry into the market of electricity supply which it initiated in December 2020. The conclusion of this investigation should be a priority for the Kosovo Competition

Authority. In the reporting period, the Kosovo Competition Authority did not investigate any other anti-competitive conduct in the energy sector. Active enforcement of the competition acquis is required in order for Kosovo* to comply with its obligations under the Treaty.



STATE AID AUTHORITY

35%

Due to the delay in recruiting new members, the State Aid Commission remains inoperational since the expiration of the mandate of the previous members at the beginning of 2022. The

establishment of a functioning State aid authority is paramount to Kosovo*'s compliance with its obligations under the Treaty.



STATISTICAL AUTHORITY

74%

The Kosovo Agency for Statistics (KAS) is responsible for energy statistics. The five annual questionnaires for 2021 were submitted to and published by EUROSTAT, some with delays and slow response, as well as the breakdown of energy consumption of households and the questionnaire on renewables share. Preliminary questionnaires with 2022 data were prepared and transmitted on time.

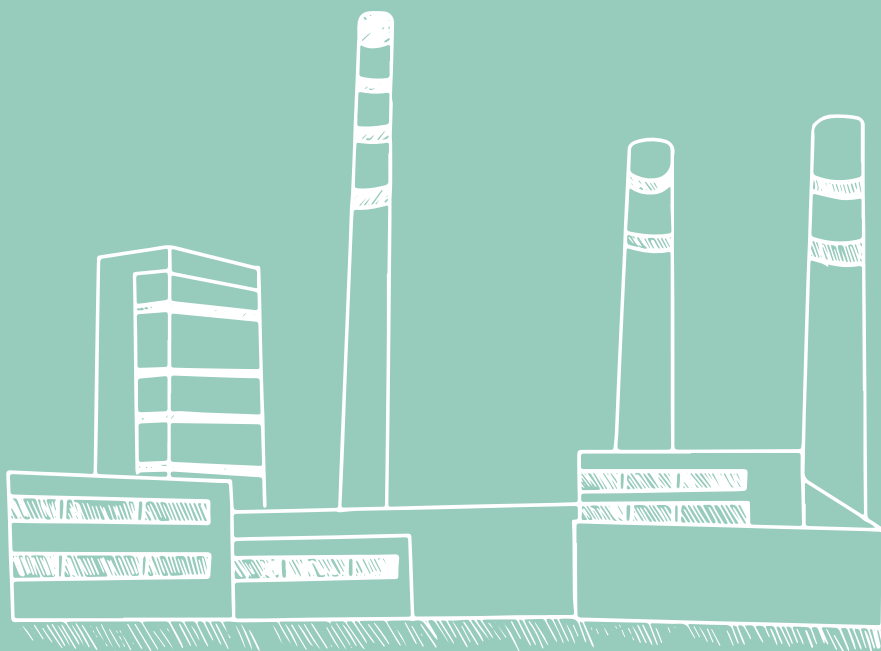
The quality reported was not updated in the 2022 reporting cycle.

In accordance with the programme of official statistics 2018 - 2022, KAS developed a methodology and started data

collection and dissemination of monthly statistics in accordance with Energy Statistics Regulation. Monthly statistics on coal, electricity and natural gas have been transmitted from 2022 onward. Monthly oil statistics are still missing, including the new set of data on oil stocks and crude oil import. Electricity prices per consumption band broken down by taxation level are submitted to and subsequently published by EUROSTAT. Price components for industrial end-users are reported in accordance with the acquis. The quality report on electricity price statistics, due in 2022, has not been provided yet.

08

Moldova















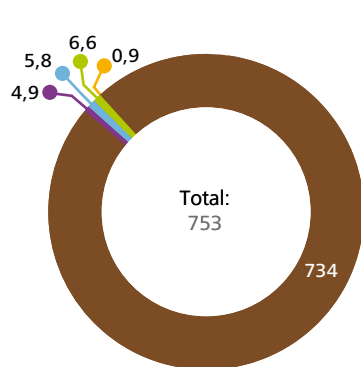


Moldova

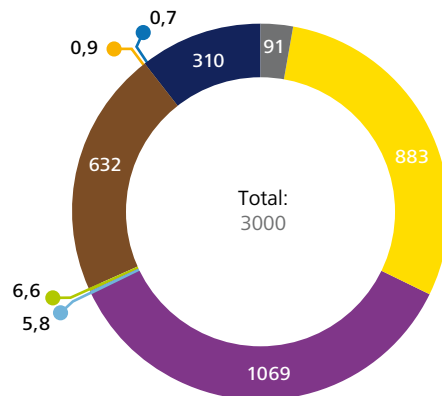
IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 Markets and integration	 59%	<p>The transmission system operator Moldelectrica was certified on 11 July 2023 as an independent system operator. ANRE provisionally designated Vestmoldtransgaz as a natural gas transmission operator of the Moldovatransgaz network, the basis for the unbundling of the country's gas infrastructure operators. Moldova should accelerate the transposition and implementation of the Electricity Integration Package, prioritizing short-term electricity markets and their integration. The certification of Vestmoldtransgaz should be finalized, followed by the removal of barriers to create a genuine free gas market.</p>
 Decarbonising the energy sector	 37%	<p>Moldova keeps expanding its renewable energy capacities through a self-consumption scheme. It has made significant progress with the Clean Energy Package alignment by adopting the Energy Efficiency Law. To have the final version adopted within the deadlines set by the Governance Regulation, Moldova should submit the draft NECP to the Secretariat.</p>
 Ensuring energy security	 54%	<p>The emergency state is in force until 30 November 2023. The electricity supply contract with MGRES was extended until the end of 2024. The Law on Cybersecurity was approved in 2023. Moldova is independent of Russian gas supplies. It achieved the gas storage targets without formally implementing them. As a matter of priority within the regional context, the Government should transpose Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector and update its sectoral risk-preparedness plan. Moldova needs to speed up the transposition of the Security of Gas Supply Regulation.</p>
 Improving the environment	 49%	<p>Due to fuel supply switches, the good compliance record of Moldova with emission regulations was broken. Compliance should be re-established without delay.</p>
 Performance of authorities	 82%	<p>ANRE exercised its competences regarding the unbundling of the gas transmission system operator and withdrew the license of Moldovatransgaz. Competences on REMIT in the electricity sector should be established.</p>

2021 Fuel mix in primary production of energy (in ktoe)



2021 Gross available energy per product (in ktoe)



- Solid fossil fuels
- Natural gas
- Oil and petroleum products
- Hydro
- Wind
- Primary solid biofuels
- Solar photovoltaic
- Charcoal
- Electricity

Source: EUROSTAT

Procedures under Article **91** EnCT

Overall number of cases: **2**

ECS-7/18 Environment

ECS-24/21 Environment



Moldova

Markets and integration

ELECTRICITY

57%



UNBUNDLING

90%

The transmission system operator Moldelectrica was certified by the regulator ANRE on 11 July 2023 as an independent system operator. To fully address the Secretariat's concerns related to the potential conflict of interest, numerous activities were undertaken including the adoption of a compliance programme and the appointment of a compliance officer. Following the certification of Moldelectrica by ANRE, the Secretariat closed its related case.

In nine months from the certification, by 12 April 2024, the Ministry and Moldelectrica should carry out a number of additional activities to comply with the conditionalities stipulated in ANRE's decision. ANRE is responsible for monitoring the compliance, however no tangible progress has been made so far. A measure related to the competencies of the State Secretary designated to exercise the role of the Ministry as a shareholder of Moldelectrica has been included in the Government's action plan for 2024 with a deadline of 6 March 2024.

The two distribution system operators operating in the country (one of which is a private entity) were unbundled back in 2015. Premier Energy Distribution, the largest distribution system operator in Moldova, has published the compliance report for 2022. The second distribution system operator, RED Nord, has published its annual compliance programmes and the reports on the programme's implementation by the compliance officer, as required by law.

ACCESS TO THE SYSTEM

58%

Third party access to the transmission and distribution networks is governed by the Law on Electricity of 2016. Tariffs for transmission and distribution services are approved by the regulator in accordance with the adopted methodologies. On 27 October 2023, ANRE approved a new methodology for calculation, approval and application of regulated tariffs for electricity transmission, including principles related to the inter-transmission system operator compensation mechanism.

Connection Codes were partially implemented through the network code. The missing set of non-exhaustive requirements was submitted by the transmission system operator to the regulator for approval. Regarding the implementation of the Trans-

parency Regulation, Moldelectrica continues to provide only a limited amount of data to the ENTSO-E Transparency Platform.

WHOLESALE MARKET

43%

The lack of progress in the development of the wholesale market and the implementation of the electricity market rules is attributed to the nationwide state of emergency declared by the Parliament on 24 February 2022, in response to the Russian invasion of Ukraine. It was sequentially extended until 30 November 2023, with a high likelihood of its continuation in 2024.

The excessive public service obligation imposed by the Commission for Emergency Situations on the state-owned trader Energocom for electricity procurement selling on to Moldovan universal service suppliers, suppliers of last resort, as well as distribution and transmission system operators, is still in force under the state of emergency. The public service obligation deviates from the originally envisaged competitive procurement process, as outlined in the Wholesale Electricity Market Rules. It does also come at the expense of diversified electricity supply. A certain progress towards diversification of supply was made by an increased import of electricity from the Romanian electricity market, including through Energocom's participation in the space.

Moldova launched an hourly balancing mechanism as of 1 June 2022, administered by Moldelectrica. However no contract for the provision of balancing services has been signed so far.

The REMIT Regulation has not yet been transposed into the Moldovan Law on Electricity.

RETAIL MARKET

50%

The Moldovan retail market also remained foreclosed as a consequence of the Commission's decisions and the unavailability of a stable access to the Ukrainian wholesale market for Moldovan suppliers. This resulted in the transfer of all final consumers to suppliers of universal service under regulated prices at the end of 2021. Therefore, in comparison to 2021 when market openness was assessed at some 10%, in 2022 only very few competitive suppliers were providing their services to a limited number of consumers (9,9 GWh, or 0,2%). The supply of all final customers by universal service suppliers at regulated prices continued in 2023. It is not compliant with the Third Energy

Package which allows access to the universal service supply only to households and small customers.

The public service obligation for the universal supply and supply of last resort, as imposed on the two existing suppliers by the Law on Electricity in 2016, is valid for 10 years. The market will be further negatively impacted if the Decision of the Commission for Emergency Situations on imposing an exit fee ('fairness charge') on final consumers when switching supplier is included in the Moldovan primary legislation as currently envisaged by the draft law. This would not be compliant with the Energy Community acquis.

The Government tackled the issue of vulnerable consumers via the Energy Vulnerability Reduction Fund (EVRF), which is largely financed by donors. About 45% of the household customers were declared as vulnerable. The number was slightly reduced in January, following a revision of the tariff for electricity due to a deal between Energocom and MGRES. With the share of 4%, EVRF expenditures in the electricity segment accounted for the smallest one from the total spent (about EUR 200 million).

REGIONAL INTEGRATION **36%**

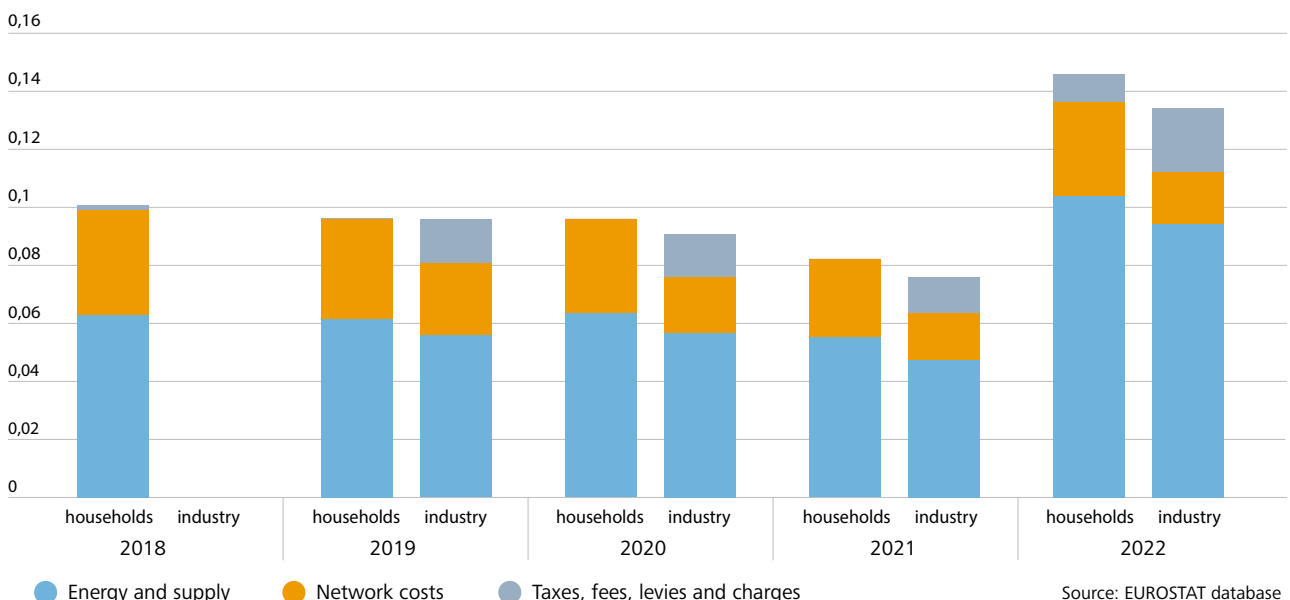
Cross-border cooperation played a significant role during the last winter in ensuring security of supply in Moldova. Moldelectrica has implemented contracts for emergency supply with both neighbouring transmission system operators Ukrenerg and Transelectrica. The allocation of cross-border capacity is

performed by neighbouring transmission system operators. The Ukrainian transmission system operator organises unilateral daily auctions two days ahead of delivery (D-2) on the interconnection with Ukraine, while Transelectrica is operating daily auctions on the day (D-1) on the interconnection with Romania. As of 1 June 2022, Moldova participates in the financial settlement of unintentional deviations (FSkar) through the Ukraine/Moldova control block. Ukrenerg is responsible for the settlement of unintended deviations for the entire control block, whereas the settlement of deviations between the Ukrenerg and Moldelectrica is governed by the inter-TSO compensation mechanism agreement (as of 1 June 2022).

ENTSO-E granted Moldelectrica observer status in October 2023. With the amendments to the existing Control Block Agreement between Moldelectrica and Ukrenerg, aimed at bringing it in line with the Synchronous Area Framework Agreement and the System Operation and Electricity Balancing Guidelines, the transmission system operators have not advanced during 2023.

Amendments to the Law on Energy, which transposes Regulation (EU) 347/2013 and partially Regulation (EU) 2022/869, were adopted in 2023. The construction of the new 400 kV OHL Vulcănești - Chisinau, being a part of the PMI project (from 2016 to 2018), is currently ongoing. The construction of the second 400 kV OHL to Romania (Balti – Suceava) and consolidation of certain elements of the internal grid were decided and are supposed to be financed through reallocation of funds from the B2B project.

Average annual prices of electricity for end users per component [EUR/kWh]





UNBUNDLING

51%

Gas transmission unbundling has made significant progress. ANRE provisionally designated Vestmoldtransgaz as an independent system operator (ISO) responsible for national gas transmission operation with effect from 19 September 2023. Additionally, ANRE approved a lease agreement between Moldovatrangaz, the previous transmission system operator, and Vestmoldtransgaz. Based on the lease agreement concluded for five years, Vestmoldtransgaz will operate the transmission networks owned by Moldovatrangaz and Moldovagaz. The certification process under the ISO model started on 18 October 2023, coinciding with the withdrawal of the transmission operation license of Moldovatrangaz. All these actions are taken in response to the Secretariat’s open case against Moldova.

Vestmoldtransgaz started the operation of entire Moldovan gas transmission system on 19 September 2023. Vestmoldtransgaz is owned by the Romanian transmission system operator Transgaz and the European Bank for Reconstruction and Development (EBRD), and certified under the ownership unbundling model.

ACCESS TO THE SYSTEM

85%

ANRE adopted a transmission tariff methodology and the relevant tariffs in line with the Tariff Network Code. Moldova opted for the interim balancing measures in line with the Balancing Network Code. Moldova implemented backhaul virtual flow in practice. This capacity product is widely in use. Moldova does not implement the Network Code on Capacity Allocation Mechanisms but is using the Regional Booking Platform for capacity allocation.

WHOLESALE MARKET

49%

Moldova’s wholesale gas market is foreclosed and still dominated by Moldovagaz, which is controlled by Gazprom. In the

last year, Moldova’s supplies were diversified from Russia and imported from the EU and Ukraine. Energocom, state-owned trader, sold gas covering almost the complete country demand to Moldovagaz, using a EBRD loan of EUR 300 million for gas supply and storage operations. The Commission for Emergency Situations adopted several decisions that derogated valid legal and regulatory acts. This includes a ban on issuing licenses for supply in Moldova, which constitutes a breach of Energy Community acquis. The REMIT Regulation (EU) 1227/2011 was transposed.

RETAIL MARKET

35%

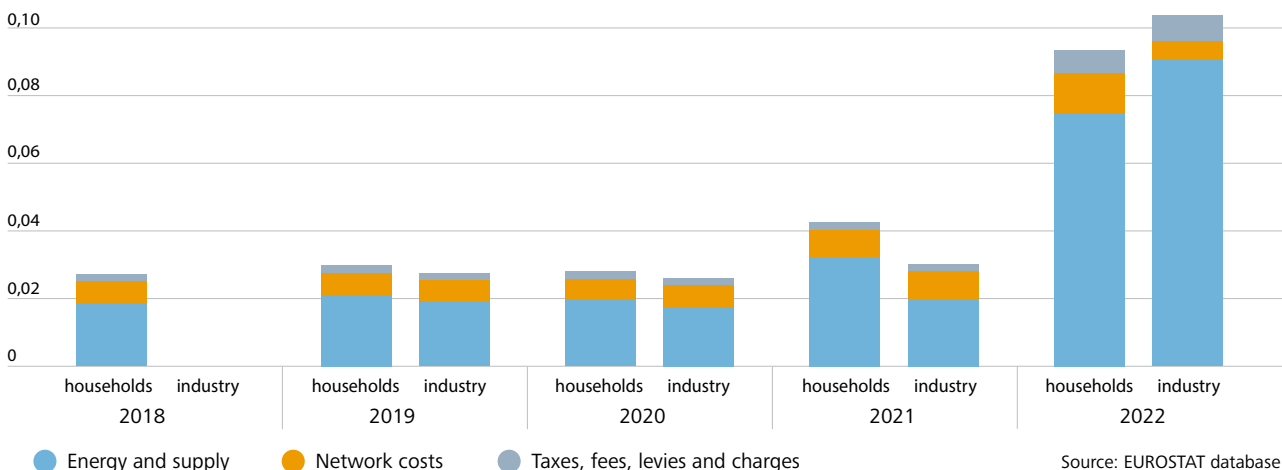
The Moldovan retail market remains heavily regulated, with Moldovagaz acting as a dominant supplier under public service obligation (PSO) for the supply of gas to all final consumers and other suppliers under PSO obligations, until the end of 2026. In October 2021, ANRE imposed on Moldovagaz a new PSO on last resort supply for a period of three years. None of the PSOs provide for clear and adequate eligibility criteria. The Commission adopted a decision amounting to an exit fee on eligible customers willing to switch supplier, which is contrary to Energy Community law.

REGIONAL INTEGRATION

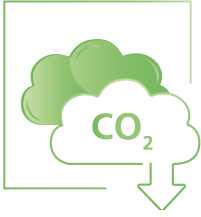
91%

Amendments to the Law on Energy, which transposes Regulation (EU) 347/2013 and partially Regulation (EU) 2022/869, were adopted in 2023. Moldova has increased its security of natural gas supply with the operationalization of the Ungheni - Chisinau pipeline, commissioned in October 2021. An interconnection agreement between Moldovatrangaz and the gas transmission system operator of Ukraine was concluded in line with the acquis. Vestmoldtransgaz was replaced in the interconnection agreement on 18 September 2023. This enables backhaul on the corridor. Along with the virtual trading point this contributes to the development of the market in Moldova. Moldova and Ukraine are in a dialogue on how to promote regional security of gas supply.

Average annual prices of gas for end users per component [EUR/kWh]



Source: EUROSTAT database



Moldova

Decarbonising the energy sector



GOVERNANCE / CLIMATE IMPLEMENTATION

16%

NATIONAL ENERGY AND CLIMATE PLANS

2%

Moldova is still finalising its draft National Energy and Climate Plan (NECP).

GREENHOUSE GAS 2030 TARGET

0%

Moldova has not defined the 2030 climate target in its national legislation, nor in the draft NECP. It should align with the 2030 targets set by the Energy Community.

NATIONAL SYSTEMS FOR CLIMATE REPORTING

48%

There is a legal basis for a national inventory system. Moldova has not yet submitted a report on the national system on policies and measures and projections in Reportnet.

NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

30%

Reporting obligations have been transposed in national legislation. Moldova has nominated lead reporters for the Governance Regulation reporting activities. No reporting activity was initiated yet on policies and measures (PaMs), adaptation strategies and carbon revenue in the context of Reportnet system.

LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

0%

The legal basis for a long-term strategy has not been adopted. Moldova has not yet adopted a long-term strategy with 2050 climate neutrality objective. It remains unclear if and how such an objective will be reached.

RENEWABLE ENERGY IMPLEMENTATION

17%



2030 RENEWABLE ENERGY TARGETS 0%

The overall target of achieving a 27% share of renewable energy in the gross final energy consumption, in line with the 2030 target set by the Energy Community, has not yet been incorporated in the national legislation of Moldova. The draft NECP is also pending.

QUALITY OF SUPPORT SCHEME 25%

The 2016 Renewable Energy Law sets the legal basis for renewable energy support schemes. Administratively set feed-in tariffs for small producers (less than 4 MW for wind and 1 MW for solar PV and hydro and without limit for all other renewables technologies) are implemented, while the introduction of the auctioning scheme will be achieved by amendments to the Law.

SELF-CONSUMPTION AND ENERGY COMMUNITIES 50%

Moldova has implemented and is operating a self-consumption scheme in the form of net metering for micro-power plants

with up to 200 kW capacity. The adoption of amendments to the Renewable Energy Law will facilitate the establishment of renewable energy communities in accordance with the Renewable Energy Directive (REDII).

GUARANTEES OF ORIGIN 25%

Moldova joined the Energy Community initiative to establish a regional system for guarantees of origin. The national electronic registry for guarantees of origin in Moldova was created and can be utilized as soon as Energocom, the designated issuing body, signs an agreement with the service provider. The existing legal framework governs the issuance of guarantees of origin solely for renewable electricity, without encompassing other energy carriers as specified in REDII.

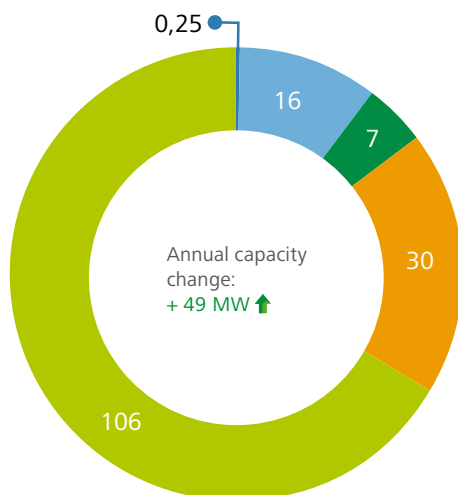
SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS 0%

Provisions related to the sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids and biomass fuels are not transposed. The legal framework remains completely non-compliant with REDII. The draft has to be adopted soon to incorporate these provisions.

RENEWABLE ENERGY IN HEATING AND COOLING 8%

The draft Renewable Energy Law is expected to transpose Articles 23 and 24 of REDII, streamlining renewable energy in the heating and cooling sector, including district heating.

Total Capacities of Renewable Energy 2022 (MW)



- Large hydropower
- Small hydropower <10 MW
- Solar
- Wind
- Biogas

Total capacities of renewable energy (MW):

160

Source: Ministry of Energy

ENERGY EFFICIENCY IMPLEMENTATION

78%



2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

59%

The 2030 energy efficiency targets already exist in the National Development Strategy. However, they need to be aligned with the 2030 targets set by the Energy Community. The submission of the draft NECP to the Secretariat is still pending.

Amendments to the Law on Energy Efficiency in May 2023 marked a significant step forward, providing a legal basis for integrated planning through the NECP, updating specific annual targets, energy metering, billing, and end-user access to information. This includes restructuring the Energy Efficiency Agency to the National Center for Sustainable Energy, with a broader scope of activities.

The Ministry drafted the update of the targets and a programme for the renovation of central government buildings, in line with the amended Energy Efficiency Directive (EED).

ENERGY EFFICIENCY IN BUILDINGS

80%

The transposition of the Energy Performance of Buildings Directive (EPBD) carried out the reporting period. In October 2023, Parliament adopted a new law intended to transpose Directive 2018/844/EC. A long-term building renovation strategy was developed, but not adopted. In addition, the first draft of the Nearly Zero Energy Buildings Action Plan was prepared. The long-standing dispute settlement case addressing the lack of transposition of the EPBD can be closed once the new law enters into effect.

ENERGY EFFICIENCY SCHEME AND FINANCING

86%

Moldova established an energy efficiency obligation scheme and the specific energy savings target required by Article 7 of EED has been under implementation since 2018. The 2023 amendments to the Law on Energy Efficiency updated this framework in line with the amended EED. For full implementation, the adoption of by-laws and submission of the NECP is essential. A draft governmental decision on the implementation of the energy efficiency obligation scheme passed public consultation.

Moldova is in the process of establishing a Moldovan Residential Energy Efficiency Fund, intended to mobilise resources through the energy efficiency obligation scheme and alternative measures.

ENERGY EFFICIENT PRODUCTS – LABELLING

89%

Moldova adopted a law to transpose the Framework Labelling Regulation (EU) 2017/1369 in October 2023. Moldova drafted a regulation to introduce updated requirements and rescaled energy labels for five product groups.

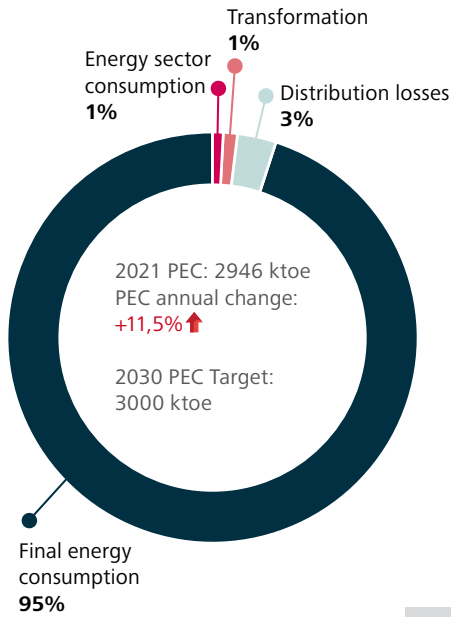
EFFICIENCY IN HEATING AND COOLING

78%

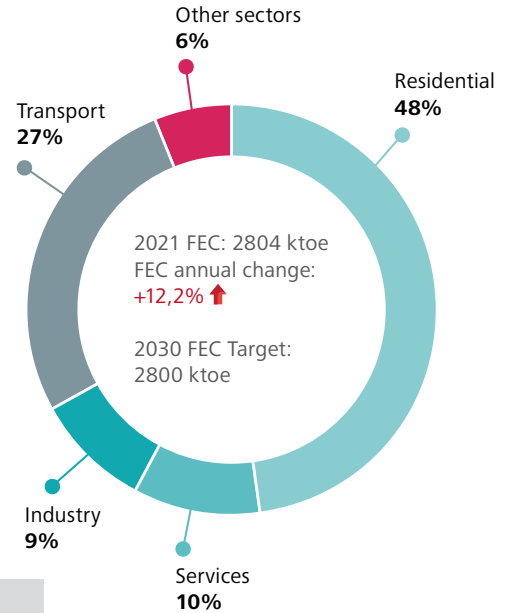
The 2023 Energy Efficiency Law amendments fully transposed heat metering and consumption-based billing provisions. Their implementation is under preparation. A comprehensive assessment of the potential for efficient heating and cooling in line with Article 14 of the EED is under development.

2021 Energy Efficiency Indicators and Trends

Primary Energy Consumption (PEC)



Final Energy Consumption (FEC)



Energy intensity, 2021 value and trends:
 0,39 ktoe/mil EUR, -2,7% ↓

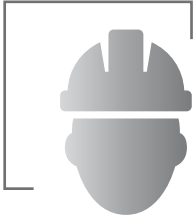
Source: EUROSTAT 2023 data and 2022 Ministerial Council Decision

Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
●	●	●	●	●

● In place ● In progress ● Not in place

Source: compiled by the Energy Community Secretariat



Moldova

Ensuring energy security



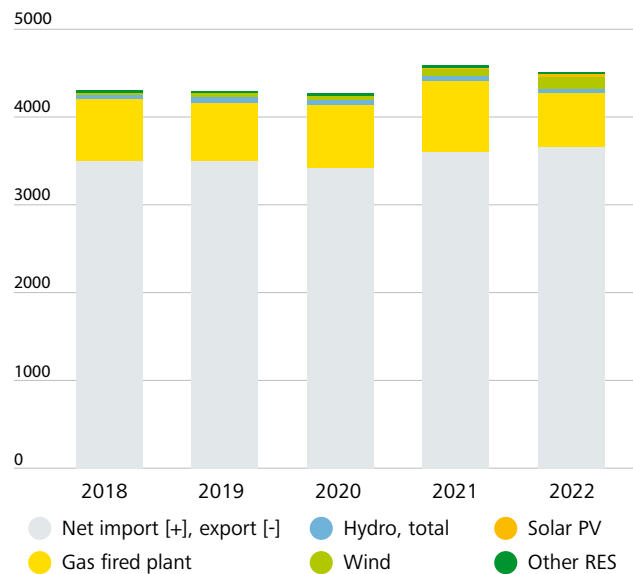
ELECTRICITY SECURITY OF SUPPLY

53%

The majority of the provisions from Directive 2005/89/EC are transposed through the Law on Electricity. Security of Supply Statements are submitted regularly, the last one in 2022. The Government approved the Plan of Measures for the Preparation of the 2023 - 2024 Heating Season on 2 August 2023. Moldova is vulnerable in terms of security of supply mainly due to its reliance on a contract with the Transnistria-based gas-fired power plant MGRES, which has been recently extended until the end of 2024. Possible exchanges with Romania are limited by the available cross-border capacity. Possible imports from Ukraine are not reliable due to military aggression. However, there is a possibility to activate emergency supply from Romania and Ukraine. Emergency supply agreements were signed in 2022 with both neighbouring transmission system operators.

Cybersecurity policies were adopted in the security and information technology domains with no energy-specific components. The Law on Cybersecurity was adopted in 2023. The establishment of a cybersecurity agency is to follow.

Fuel mix and primary supply of electricity (in GWh)



Source: Ministry of Energy, compiled by the Energy Community Secretariat



GAS SECURITY OF SUPPLY

75%

Moldavian primary and secondary legislation transposes numerous provisions of the Security of Gas Supply Regulation (EU) 2017/1938, including storage obligations. The full implementation is pending. Moldova complied with storage targets without

having storages in place. The Plan of Measures for the Preparation of the 2023 - 2024 Heating Season implements measures to, inter alia, reduce gas consumption and to mitigate risks of interruption of gas supply.



OIL SECURITY OF SUPPLY

13%

Moldova does not maintain emergency oil stocks as the Oil Stocks Directive requires. The Government drafted a law on creating and maintaining a minimum level of oil product stocks in 2017. There are no emergency procedures in place. No data are reported.

No progress was achieved during this reporting period and Moldova's legal framework remains non-compliant with the oil acquis.



Moldova

Improving the environment

ENVIRONMENTAL ASSESSMENTS **53%**

The envisaged amendments to the Environmental Impact Assessment (EIA) Law, required to align it with Directive 2014/52/EU, have not been adopted. Secondary regulations, including the regulatory framework for the technical commission for analysing EIA reports and guidelines necessary for the EIA quality assessment and EIA procedure, have been developed. The lack of adoption of the draft law for amending the Laws on EIA and on Strategic Environmental Assessment (SEA), has led to additional delays in implementation. The capacities of the National Agency for the Environment, the competent authority, are insufficient to ensure effective implementation of the new competences introduced by legislation. This affects the streamlined procedure for conducting biodiversity assessments within the EIA. In the reporting period, ten wind power projects underwent EIA screening, with five wind farms with an installed capacity exceeding 10 MW, some situated in proximity to marshes or on the border with Ukraine. Only one of these projects was made subject to an EIA. All six projects for the construction of new gas-fired power plants, with a total installed capacity of 320 MW, were subjected to an EIA.

The implementation of the 2022 amendments to the Law on SEA is still pending. Secondary acts for the revised Law on SEA developed in this reporting period include a regulation for the commission of SEA experts and an updated procedural guideline for evaluating the quality of environmental reports. Moldova has commenced the SEA procedure for the National Energy and Climate Plan (NECP). However, the submission of the draft NECP and SEA report to the Secretariat is still pending.

LARGE COMBUSTION PLANTS **50%**

Moldova submitted the emissions data of its large combustion plants for the 2022 reporting year according to the applicable deadlines. The data shows a major increase in liquid fuel use in the CET-1 co-generation plant, which is related to the replacement of gas with heavy fuel oil. As a consequence, the average emissions of the plant were not compliant with the emission limit values of the Large Combustion Plants Directive, a situation that is to be addressed as soon as possible. The average emissions of the CET-2 co-generation plant remained in compliance. The Law on Industrial Emissions adopted in July 2022, by which Moldova transposed the requirements of the two directives regulating the emissions of large combustion plants in the Energy Community, will enter into force in 2024.

SULPHUR IN FUELS **67%**

The Government Decision on the Reduction of the Sulphur Content of Certain Liquid Fuels transposes the requirements of the Sulphur in Fuels Directive. The limits for heavy fuel oil and gas oil are compliant. The Inspectorate for Environmental Protection is mandated to verify compliance of the fuels covered by the decision's scope in cooperation with the Government and the border police. However, implementation of the systematic quality control of heavy fuel oil and gas oil is still not guaranteed, and no information was provided on the sampling and analysis of those fuels. The provisions on marine fuels do not apply.

NATURE PROTECTION **53%**

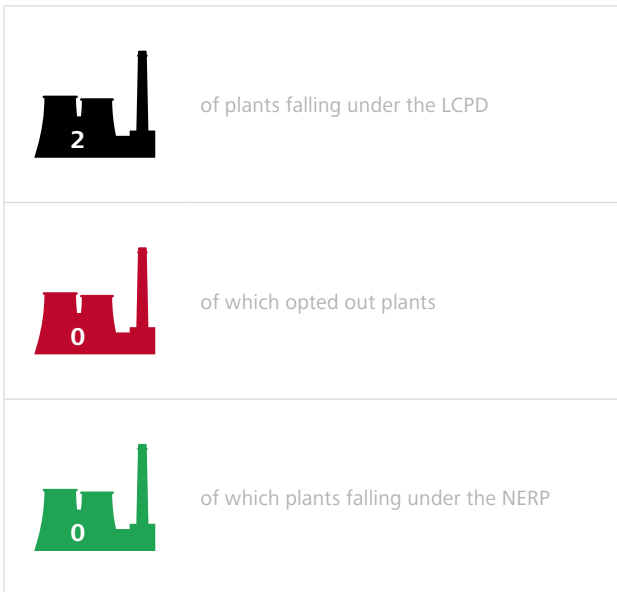
The recent approval of the Guideline on Biodiversity Evaluation by the Ministry of Environment underscores Moldova's commitment to a robust biodiversity assessment process, although the implementation of the new procedure is still pending. While Moldova is partially aligned with the EU acquis on nature protection, there is a need for increased efforts, particularly in identifying and designating its Emerald Network, and revising the national biodiversity strategy and action plan.

The designated 8% of the territory for the Emerald Network is insufficient for safeguarding European species and habitats. The Environmental Agency initiated a project to improve the management of protected areas in Moldova, focusing on enhancing protected areas, combating biodiversity loss, and implementing innovative conservation governance models in collaboration with reserves like the Lower Dniester National Park, the Orhei National Park, and the Codru Nature Reserve.

ENVIRONMENTAL LIABILITY **0%**

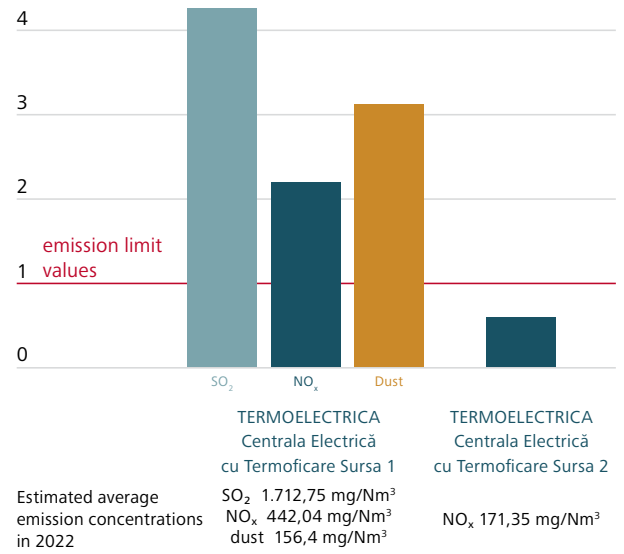
Moldova has not yet transposed the Environmental Liability Directive. To address this shortcoming, the Secretariat submitted a Reasoned Request in July 2023. The transposition process is expected to be finalised in 2024.

Installations under the Large Combustion Plants Directive



Source: compiled by the Energy Community Secretariat

2022 emissions of NO_x versus applicable emission limit values (ELV)





Moldova

Performance of authorities



REGULATORY AUTHORITY

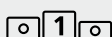
88%

The National Agency for Energy Regulation (ANRE) functions under a legal framework mostly in line with Energy Community legislation. ANRE's decisions are legally binding, however any license withdrawal requires court validation. ANRE still has no competence for REMIT in electricity.

In 2023, ANRE adopted amendments to electricity wholesale market rules, new electricity and natural gas pricing methodologies, amendments to the quality of service regulation and amendments to the gas supply rules. ANRE exercised its competences regarding the unbundling of the gas transmission system operator and withdrew the license of Moldovatrangaz

after the company repeatedly failed to meet the unbundling requirements. ANRE also issued a penalty. ANRE designated provisionally Vestmoldtransgaz as the only transmission system operator in Moldova. Although ANRE still regulates the end-user electricity and gas prices, cost-reflectivity of these prices increased in the reporting period.

The Commission for Emergency Situation in Moldova adopted several decisions in the energy sector falling in the competence of ANRE. Those are related to the switching exit fee, gas transmission tariffs for certain interconnection points and the ban on licenses for supply and trade.



COMPETITION AUTHORITY

75%

Although the Competition Council has shown its ability to effectively enforce the competition acquis, in the reporting period, the Competition Council did not open any investigation or

render any decision regarding anti-competitive conduct in the energy sectors. To comply with its obligations under the Treaty, effective enforcement of the competition acquis is required.



STATE AID AUTHORITY

60%

In the reporting period, yet again the Competition Council has not rendered any decisions or recommendations regarding State aid in the energy sectors.



STATISTICAL AUTHORITY

100%

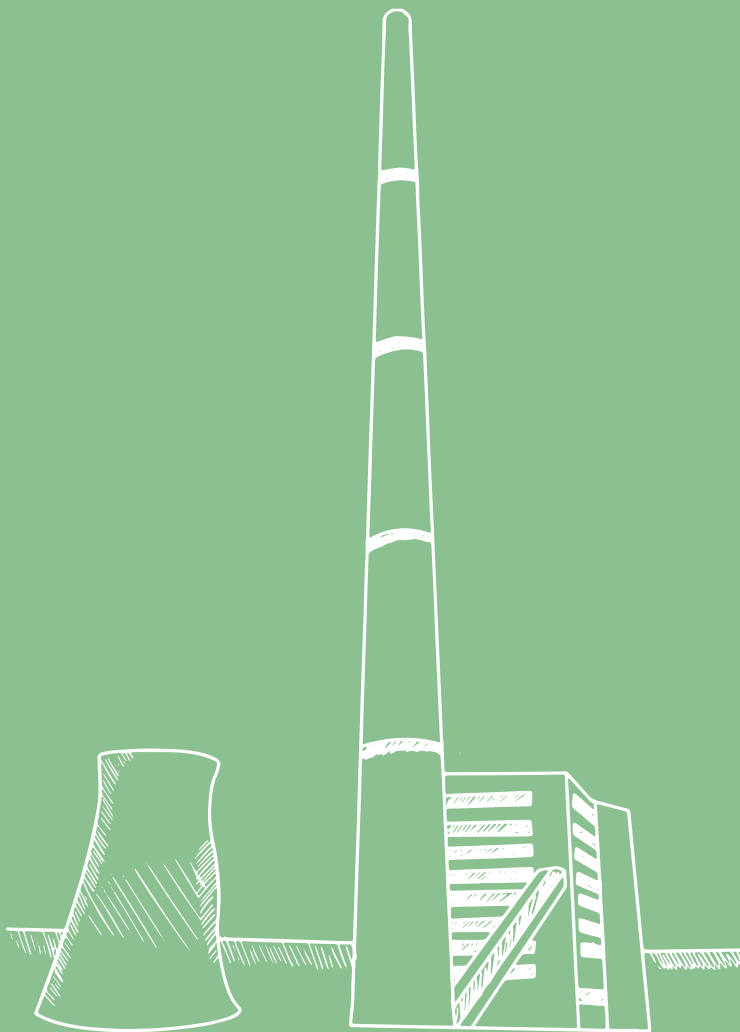
In accordance with the Law on Official Statistics, the National Bureau of Statistics of the Republic of Moldova (NBS) transmitted 2021 annual questionnaires to EUROSTAT on time and published them on its web page. This includes the SHARES data. Disaggregated data on energy consumption in households are compiled and transmitted to EUROSTAT within the set deadlines. The same applies for disaggregated data on final energy consumption in industry in 2021. Preliminary mini-questionnaires for 2022 are also submitted on time.

The updated quality report was submitted in July 2022 and subsequently published. NBS publishes monthly datasets for

coal, oil and petroleum products including oil stocks, natural gas and electricity and transmits them to EUROSTAT timely in accordance with the acquis. NBS has been submitting the COIR questionnaire on crude oil import and production from January 2022 onwards. NBS has established a methodology and a reporting system to collect electricity and natural gas prices, per consumption band and broken down per price component. The price data are complete and transmitted to EUROSTAT on time. NBS prepared and submitted the quality report on electricity and natural gas price statistics to EUROSTAT in accordance with the Energy Statistics Regulation.

09

Montenegro

















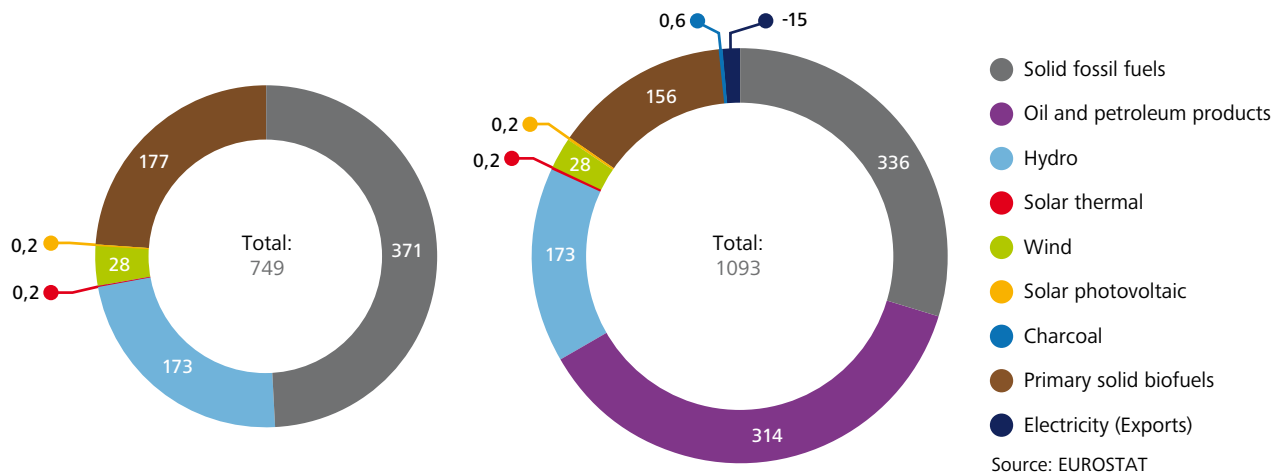
Montenegro

IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 Markets and integration	 83%	A day-ahead electricity market was launched by the Montenegrin power exchange MEPX in April 2023. Montenegro should focus on the transposition and implementation of the Electricity Integration Package as a precondition for the coupling of its day-ahead market.
 Decarbonising the energy sector	 40%	Montenegro progressed with amendments of the Energy Efficiency Law and new labelling regulations. Montenegro should submit the draft NECP to the Secretariat with a targeted approach to coal phase-out.
 Ensuring energy security	 40%	A draft Law on Information Security transposing the NIS2 Directive was drafted in 2023. It should be adopted in the next reporting period. Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector should be transposed and its implementation should start with the designation of a competent authority.
 Improving the environment	 68%	Montenegro's good track record in the area of environment is overshadowed by the long-standing non-compliance of TPP Pljevlja with the rules on limited lifetime derogation under the Large Combustion Plants Directive. The plant is expected to comply with the Industrial Emissions Directive's limit values after its rehabilitation.
 Performance of authorities	 69%	The Agency for Competition Protection adopted its first two decisions regarding State aid in the energy sectors.

2021 Fuel mix in primary production of energy (in ktoe)

2021 Gross available energy per product (in ktoe)





Montenegro

Markets and integration

ELECTRICITY

83%



UNBUNDLING

100%

The transmission system operator CGES is unbundled and certified. The distribution system operator CEDIS is legally and functionally unbundled from the vertically integrated company Elektroprivreda Crne Gore (EPCG). The compliance report for 2022 was submitted to the regulator and was published.

The REMIT Regulation is transposed and implemented.

RETAIL MARKET

98%

The retail market in Montenegro is fully supplied by EPCG, even though several other suppliers are licensed. Furthermore, EPCG is acting as supplier of last resort and supplier of vulnerable customers. These obligations were established through transparent tendering procedures. EPCG supplies household consumers under four tariff models between which they can choose. EPCG was obliged to respect restrictions for annual price increases to be lower than 6% for households and small customers. This measure was in place until the end of 2022 but was not further extended. Nevertheless, EPCG did not increase prices.

ACCESS TO THE SYSTEM

89%

Grid codes define the conditions of access to and use of the electricity system based on regulated terms and conditions. The latest transmission tariffs were approved for the period of 2023 to 2025 by a decision in November 2022. The tariff review for the distribution network was suspended, and temporary tariffs are currently applicable. A new request for tariff review for 2024 and 2025 was submitted in summer 2023 by the distribution system operator but not yet decided upon by the regulator.

The concept of vulnerable customers is defined by primary legislation. The Ordinance on Supplying Electricity to Vulnerable Consumers and the Electricity Bill Subsidization Programme set out the relevant measures and subsidies for their support.

The Connection Codes were transposed in 2019 by Government decrees. CEDIS adopted a new distribution grid code in June 2022, but the requirements of the connection codes were not properly integrated. Amendments to the transmission grid code were adopted in 2022 to reflect the requirements of the Connection Codes.

The Transparency Regulation is transposed and largely implemented with the majority of data being published.

REGIONAL INTEGRATION

41%

The regional auction SEE CAO is used for the allocation of cross-border capacity. In case of the interconnection with Serbia, the allocation takes place bilaterally between the respective transmission system operators.

CGES cooperates with neighbouring transmission system operators bilaterally on the exchange of balancing energy. Imbalance netting takes place with Serbia within the same control block covering Montenegro, North Macedonia and Serbia.

WHOLESALE MARKET

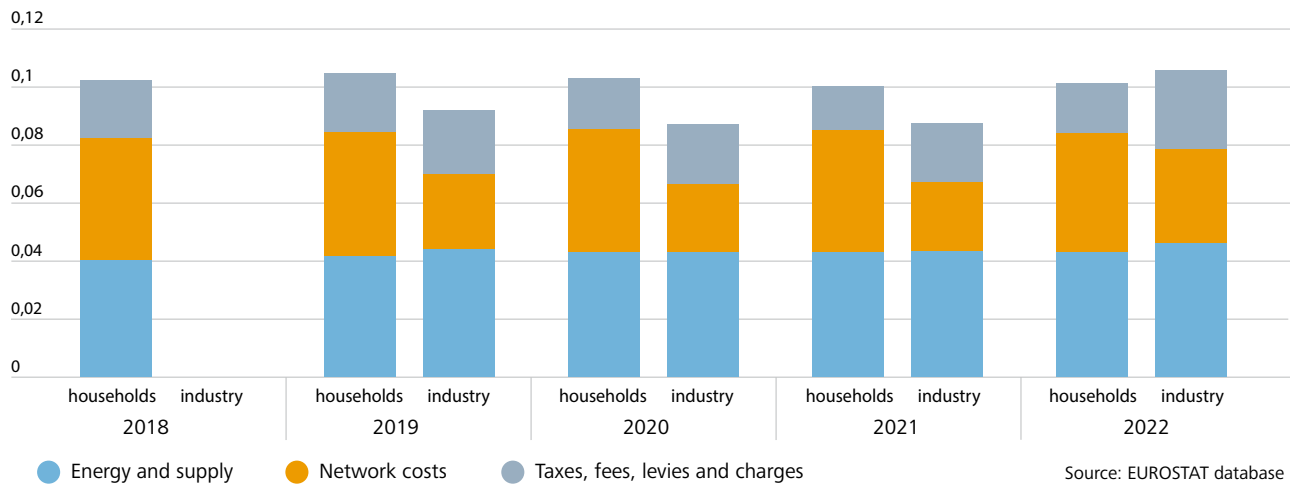
90%

The day-ahead market was launched by the Montenegrin power exchange (MEPX) on 26 April 2023. The MEPX trading platform is also used for auctions to procure losses in the transmission and distribution system. The go-live of the intraday market is still pending. The wholesale market has limited liquidity and high market concentration, dominated by the incumbent producer and trader EPCG.

Initially scheduled for 2019, the adoption of the new Law on Cross-Border Energy Infrastructure Projects, intended to transpose Regulation (EU) 347/2013 is pending. One electricity PEI project in Montenegro is related to section 4 of the Transbalkan corridor. This new 400 kV OHL Pljevlja (ME) - Bajina Basta (RS) is to complete the Transbalkan corridor, which creates benefits for southern Europe and the Italian market through the HVDC link between Montenegro and Italy. The 15-kilometer-long Montenegrin part of the line waits for Serbia to realise the construction of the 400 kV OHL Obrenovac - Bajina Basta. The previous PEI project, 400 kV line OHL Lastva - Čevo - Pljevlja, has not been finished yet.

The balancing market is operational with regulated prices of the balancing reserve set pursuant to a methodology adopted by the regulator. Such regulated prices will need to be reassessed under the new Electricity Integration Package which requires free price formation.

Average annual prices of electricity for end users per component [EUR/kWh]



GAS

n.a.



UNBUNDLING

0%

No gas network exists in Montenegro. Montenegro's only applicable model for the unbundling of a future gas transmission system operator is the ownership unbundling model. Montenegrobonus has been designated by the Government for that purpose, with no actions in that regard for years.

ACCESS TO THE SYSTEM

0%

The Energy Law and the Law on Cross Border Exchange of Electricity and Natural Gas transposed the relevant articles to ensure third party access, but the network codes transposition is still pending. The adopted tariff methodology for the transmission system is not compliant with the Network Code on Tariffs.

WHOLESALE MARKET

0%

Montenegro does not have a gas market. REMIT Regulation (EU) 1227/2011 is in place.

RETAIL MARKET

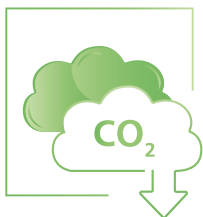
0%

Despite the non-existing gas market, Montenegro adopted the supply rules for natural gas.

REGIONAL INTEGRATION

16%

Initially scheduled for 2019, the adoption of the new Law on Cross-Border Energy Infrastructure projects, intended to transpose Regulation (EU) 347/2013 is pending. The Ionian Adriatic Pipeline project with PMI status could introduce natural gas into the energy mix of Montenegro. The project has not matured in the recent past.



Montenegro

Decarbonising the energy sector



GOVERNANCE / CLIMATE IMPLEMENTATION

31%

NATIONAL ENERGY AND CLIMATE PLANS

29%

Montenegro is still finalizing its draft National Energy and Climate Plan (NECP).

GREENHOUSE GAS 2030 TARGET

0%

Montenegro has not defined the 2030 climate target in its national legislation, nor in the draft NECP. It should align with the 2030 targets set by the Energy Community.

NATIONAL SYSTEMS FOR CLIMATE REPORTING

67%

There is a legal basis for the national inventory system. Montenegro still needs to initiate reporting on the national system for policies and measures and projections.

NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

33%

Reporting obligations have been transposed in legislation. Montenegro has nominated lead reporters for the Governance Regulation reporting activities. In the context of Reportnet system, it has not reported or initiated any process for reporting on policies and measures (PaMs), or adaptation strategies and carbon revenues.

LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

25%

The legal basis for a long-term strategy has been adopted. However, Montenegro has not adopted a long-term strategy with a 2050 climate neutrality objective. It remains unclear if and how such an objective will be reached.

RENEWABLE ENERGY IMPLEMENTATION

14%



2030 RENEWABLE ENERGY TARGETS 0%

The overall target of achieving a 50% share of renewable energy in the gross final energy consumption, in line with the 2030 target set by the Energy Community, has not yet been incorporated in the national legislation of Montenegro. The draft NECP is also pending.

QUALITY OF SUPPORT SCHEME 0%

Based on the Energy Law, administratively determined feed-in tariffs apply to projects up to 1 MW, whereas support for larger projects is granted through a competitive process, with no additional details provided. No actions have been launched. It is crucial to adopt a new Renewable Energy Law and to establish a comprehensive legal framework for a market-based support scheme.

SELF-CONSUMPTION AND ENERGY COMMUNITIES 50%

Montenegro has implemented a self-consumption scheme in the form of net metering without a limit for installation capacity. In the absence of a new Renewable Energy Law, the

establishment of renewable energy communities in accordance with Renewable Energy Directive (REDII) requirements poses a challenge.

GUARANTEES OF ORIGIN 25%

Montenegro joined the Energy Community initiative to establish a regional system for guarantees of origin. The national electronic registry for guarantees of origin in Montenegro was created and can be utilized as soon as the market operator, as the designated issuing body, signs an agreement with the service provider. The existing legal framework governs the issuance of guarantees of origin solely for renewable electricity and electricity generated from highly efficient cogeneration, without encompassing other energy carriers as specified in REDII.

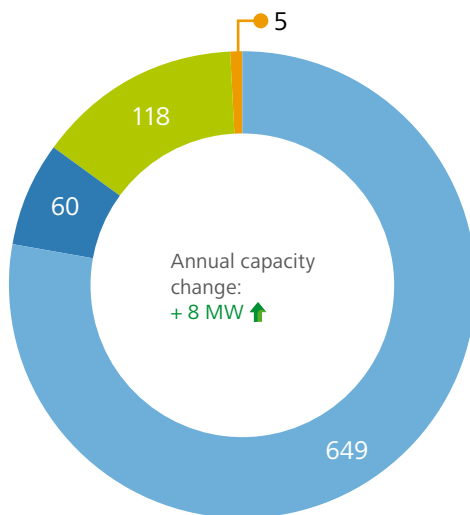
SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS 0%

Provisions related to the sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids, and biomass fuels are not transposed and the legal framework remains completely non-compliant with REDII. It is crucial to adopt a new renewable energy law that introduces these provisions.

RENEWABLE ENERGY IN HEATING AND COOLING 15%

There is no 2030 target for renewable energy in heating and cooling, nor have the measures for increasing renewable energy share in the heating and cooling sector been put in place. In 2023, the project Energy Efficient Home continued to support households to purchase heat pumps with interest-free loans.

Total Capacities of Renewable Energy 2022 (MW)



- Large hydropower
- Small hydropower <10 MW
- Wind
- Solar

Total capacities of renewable energy (MW):

833

Source: Ministry of Energy and Mining

ENERGY EFFICIENCY IMPLEMENTATION

76%



2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

59%

Montenegro is still finalizing its draft NECP, which must harmonize the 2030 energy efficiency targets with the 2030 targets set by the Energy Community. The December 2022 amendments to the Law on Efficient Use of Energy transposed the amendments to the Energy Efficiency Directive (EED), including the provisions on 2030 target setting and integrated planning.

into the National Energy Efficiency Action Plan. These should now be incorporated into the 2030 framework and adequate policy measures should be set as part of the NECP.

The national Eco Fund finances energy efficiency and environmental projects. Several projects related to the public and residential sector are ongoing, supported either by state subsidies or international loans. ESCO contracts and an enabling framework are incorporated in the Law on Efficient Use of Energy.

ENERGY EFFICIENCY IN BUILDINGS

82%

To update rulebooks from 2015, Montenegro improved cost-optimality calculations and introduced a new software for energy performance calculations and certification of buildings. The adoption of updated rulebooks is pending. The Law on Efficient Use of Energy foresees the development of a long-term building renovation strategy, but it was not prepared let alone adopted.

ENERGY EFFICIENT PRODUCTS – LABELLING

98%

Montenegro finalized the adoption of a complete package of updated energy labelling rulebooks, as incorporated into the Energy Community legal framework by the 2022 Ministerial Council.

ENERGY EFFICIENCY SCHEME AND FINANCING

67%

In the previous reporting period, Montenegro opted for alternative measures to achieve energy saving target under Article 7 of the EED. The package of alternative measures was integrated

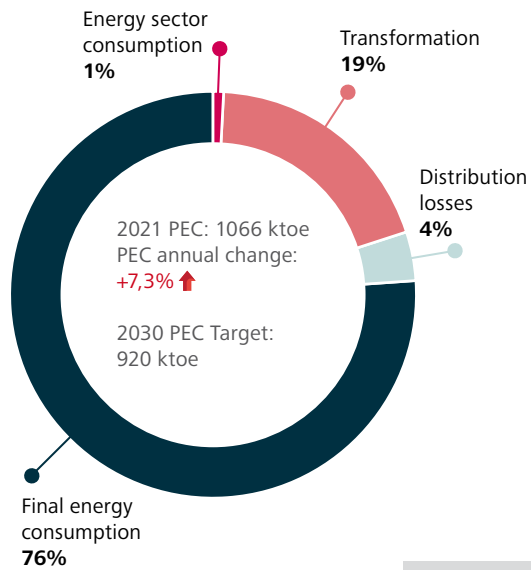
EFFICIENCY IN HEATING AND COOLING

76%

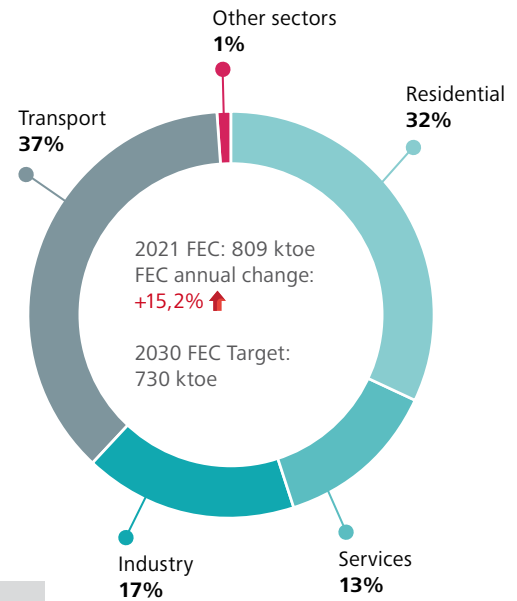
Žabljak municipality is exploring options for establishing a renewable-based district heating system. A draft of a comprehensive assessment for heating and cooling potential was prepared in 2023 and is expected to be adopted soon. Provisions on heat metering or billing are not transposed.

2021 Energy Efficiency Indicators and Trends

Primary Energy Consumption (PEC)



Final Energy Consumption (FEC)



Energy intensity,
2021 value and trends:
0,28 ktoe/mil EUR, **-5,5% ↓**

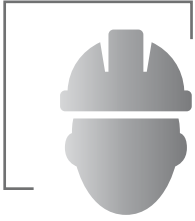
Source: EUROSTAT 2023 data and 2022 Ministerial Council Decision

Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
		n/a		

In place In progress Not in place

Source: compiled by the Energy Community Secretariat



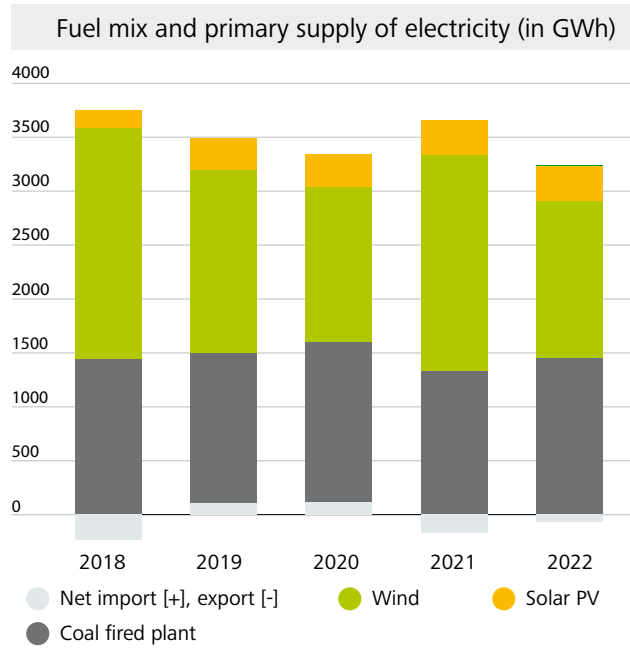
Montenegro

Ensuring energy security

ELECTRICITY SECURITY OF SUPPLY 55%

Directive 2005/89/EC concerning Measures to Safeguard the Security of Electricity Supply and Infrastructure Investment has been transposed already through the 2010 Energy Law. Security of Supply Statements have not been regularly delivered to the Secretariat. The Montenegrin Government set up a national council responsible for analysing and monitoring the security of energy supply, and adopted a decision on the long-term energy balance of Montenegro for 2023 - 2025.

The Law on Information Security in Montenegro was adopted in 2010 and amended in 2016, 2020 and 2021. In accordance with the Law on Information Security, a Computer Incident Response Team (CIRT.ME) was established in 2012. The Law on Designation and Protection of Critical Infrastructure, adopted in December 2019, is in line with the ECI Directive (EU) 2008/114. A Cybersecurity Strategy 2022 - 2026 is in place, with the Ministry of Interior as the implementing body. A draft Law on Information Security from 2023 is in line with the NIS2 Directive (EU) 2022/2555 and envisages the establishment of a cybersecurity agency.



Source: Ministry of Energy and Mining, compiled by the Energy Community Secretariat

GAS SECURITY OF SUPPLY n.a.

Montenegro is exempted from the transposition of the Security of Gas Supply and Storage Regulations.

OIL SECURITY OF SUPPLY 5%

No emergency oil stockholding policy exists in Montenegro. However, a draft Law on the Supply of Petroleum Products in the Event of Supply Disruption, compliant with Directive 2009/119/EC, was finalised in December 2022. Adopting the new draft Law and the subsequent secondary legislation is still missing.

No data are reported.

No progress was achieved during this reporting period. Montenegro is non-compliant with oil the acquis.



Montenegro

Improving the environment

ENVIRONMENTAL ASSESSMENTS **77%**

Montenegro's national legal framework aligns with the Environmental Impact Assessment (EIA) and the Strategic Environmental Assessment (SEA) Directives. The institutional setup supports streamlined assessments, although coordination with other assessments (e.g. related to water) does not take place. Montenegro has not provided a list of energy projects that underwent screening and were subjected to an EIA. The development of the EIA, which should include an appropriate assessment for the Komarnica hydropower project, located within a candidate Emerald Site and the Dragišnica and Komarnica Nature Park, was delayed. Montenegro actively engaged in the cross-border dialogue with Bosnia and Herzegovina regarding the transboundary impacts of the Buk Bijela hydropower project, facilitated by the Energy Community Secretariat. Access to environmental information and mechanisms for public participation has not improved, which potentially poses risks to an effective and efficient consultation process. The delay of the SEA for the draft National Energy and Climate Plan (NECP) may impede the quality and efficiency of the consultation process.

LARGE COMBUSTION PLANTS **50%**

Montenegro complied with its reporting obligations under the Large Combustion Plants Directive for the reporting year 2022. With the rehabilitation of TPP Pljevlja still underway, the breach of the Large Combustions Plants Directive's provisions on limited lifetime derogation continued and became more serious. The Secretariat referred the case to the Ministerial Council in July 2023.

SULPHUR IN FUELS **93%**

Montenegro transposed the Sulphur in Fuels Directive, including the provisions on marine fuels, into national law. Sampling and analysis is implemented for all fuels falling under the Directive's scope in accordance with the annual fuel quality monitoring programme. On-the-spot sampling for marine fuels is not yet ensured, which poses a practical implementation burden on the authorities related to seagoing ships.




NATURE PROTECTION **53%**

Montenegro adopted the First Red List of Birds during the reporting period, demonstrating progress in its nature conservation efforts. However, the adoption of a new law on hunting and a rulebook on hunting seasons is still pending. Work is underway on a new law on nature protection, which would enhance the alignment of national legislation with the Birds and Habitats Directives. At the same time, the development of management plans for protected areas faces delays, exacerbated by a lack of financial resources. There have been no new designations of special protection areas, and the national action plan for the protection of birds was again delayed.




ENVIRONMENTAL LIABILITY **80%**

Montenegro has transposed the provisions of the Directive via the Law on Environmental Liability. Between September 2022 and May 2023, twenty-seven procedures for environmental damage have been initiated.

Installations under the Large Combustion Plants Directive


	of plants falling under the LCPD
	of which opted out plants
	of which plants falling under the NERP

Total emissions from Large Combustion Plants in 2022

	Total SO ₂ emissions from LCPs in 2022 46.502 +14,8% ↑
	Total NO _x emissions from LCPs in 2022 3.954 +14,3% ↑
	Total dust emissions from LCPs in 2022 560 +11,3% ↑

Source: compiled by the Energy Community Secretariat

Amount of operational hours used from opt-out period

TPP Plevlja 	Expected expiry of opt-out period:	EXPIRED
	Remaining hours	0
	Operating hours consumed in 2018 - 2022	34.412

Source: compiled by the Energy Community Secretariat



Montenegro

Performance of authorities



REGULATORY AUTHORITY

90%

The legal setup of the Energy and Water Regulatory Authority of Montenegro (REGAGEN) is aligned with the majority of requirements of the Energy Community acquis. The independence of the regulator is challenged by the implementation of the Law on the Wages of Public Sector Employees, which substantially lowered the salaries in REGAGEN compared to those in regulated companies. Consequently, REGAGEN faces difficulties in ensuring sufficient human resources to carry out its tasks.

The regulator initiated a court procedure related to the unbundling of the distribution system operator. On cross-border level, REGAGEN continued to cooperate with Italian authorities in cross-border electricity transmission capacity allocation.



COMPETITION AUTHORITY

40%

In the last reporting period, the Agency for Competition Protection (ACP) had initiated an investigation into anti-competitive conduct in the liquefied petroleum gas market by INA Montene-

gro and Jugopetrol; the investigation is still ongoing. Rendering a decision on this case should be a priority for the future.



STATE AID AUTHORITY

40%

The ACP took its first two decisions regarding State aid in the energy sectors since it assumed this competence in 2018. The first relates to the programme to foster innovation in the energy efficiency sector, which was qualified as de minimis aid. The

second relates to a State guarantee for the electricity transmission system operator for an EBRD loan for the procurement of a shunt reactor, which was preliminarily found to be compatible if information is provided that a market premium is paid.



STATISTICAL AUTHORITY

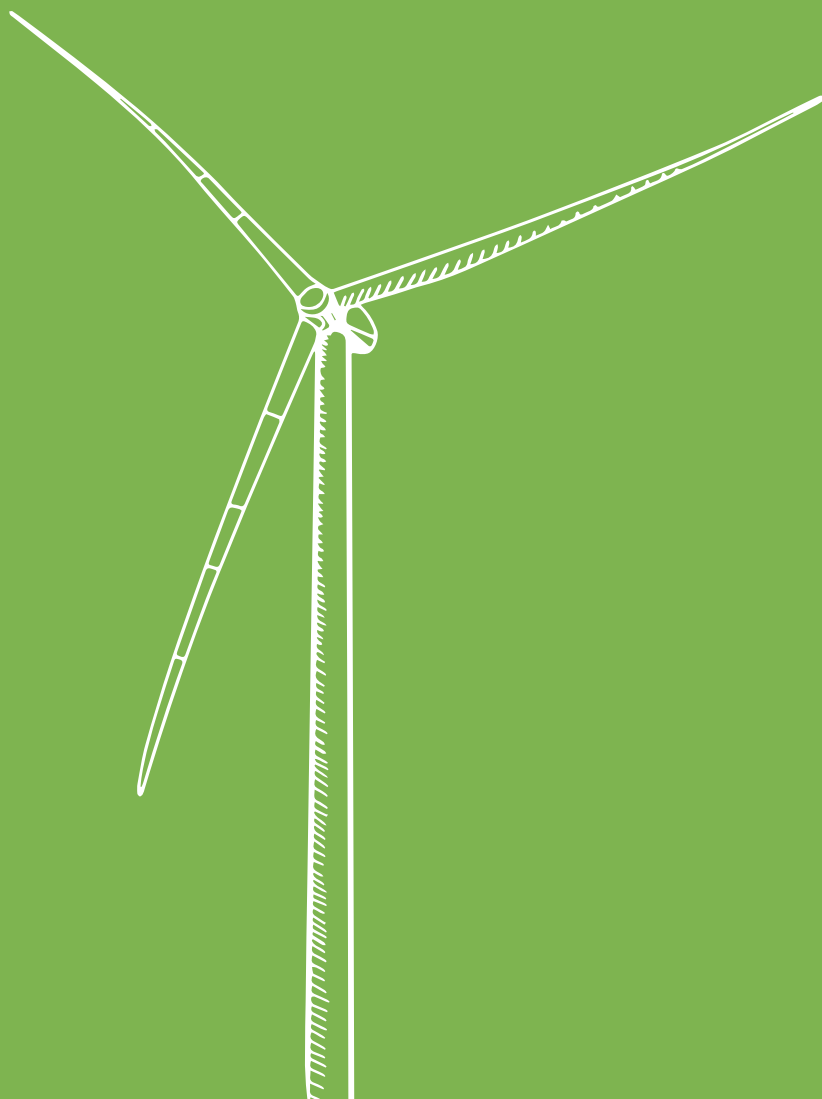
87%

The Statistical Office of Montenegro (MONSTAT) is responsible for national energy statistics. The five annual questionnaires for 2021 are communicated to EUROSTAT in compliance with the acquis, as well as SHARES data. Disaggregated data on energy consumption of households are neither compiled nor disseminated. Mini-questionnaires with preliminary 2022 data are prepared and transmitted to EUROSTAT. MONSTAT submitted the report on the quality of transmitted data in the format defined by EUROSTAT, including an updated report in 2022 and 2023.

Montenegro made a significant step in 2022 by providing monthly energy statistics on coal, electricity and zero questionnaires for natural gas and crude oil import. However, monthly oil data are still completely missing. Electricity prices charged to industrial end-users and households broken down per consumption band and taxation level, as well as the breakdown of main price components, are collected in line with the acquis and communicated to EUROSTAT. The quality report on price statistics is prepared and published by EUROSTAT.

10

**North
Macedonia**







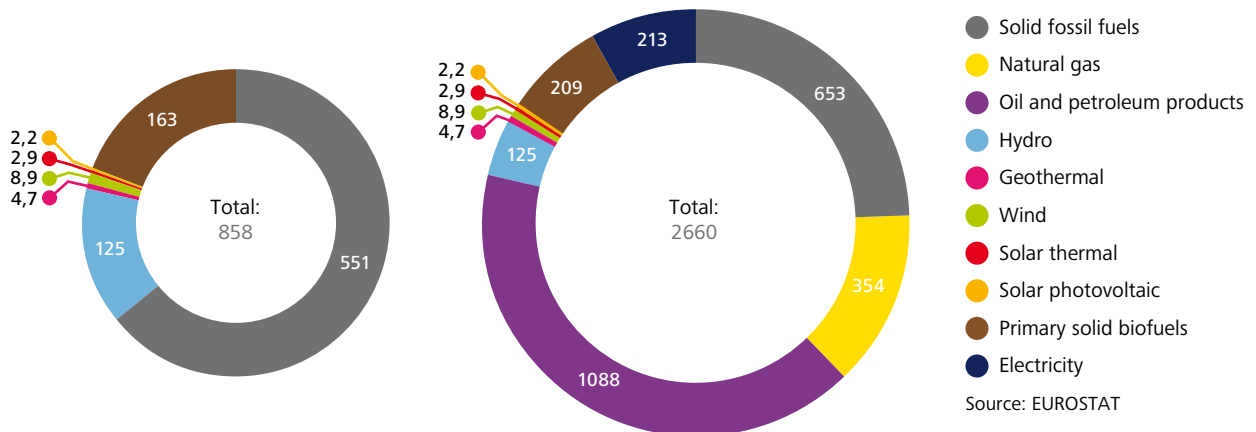
North Macedonia

IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
Markets and integration	64%	<p>A day-ahead electricity market was launched in May 2023 by the market operator MEMO. North Macedonia should focus on the transposition and implementation of the Electricity Integration Package as a precondition for the coupling of its day-ahead market. North Macedonia merged two gas companies into one functional transmission system operator and prepared its unbundling. The gas transmission system operator signed an interconnection agreement with Bulgaria, unlocking a part of hoarded gas capacities. The certification of Nomagas should be finalized.</p>
Decarbonising the energy sector	53%	<p>North Macedonia has considerably expanded its renewable energy capacities through a self-consumption scheme and has progressed on energy efficiency with a focus on finalising the amendments of the Energy Efficiency Law. North Macedonia should adopt the Renewable Energy Law and the amending the Energy Efficiency Law.</p>
Ensuring energy security	30%	<p>The regulatory authority adopted cybersecurity rules in June 2023. Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector should be transposed and its implementation should start with the designation of a competent authority. North Macedonia should transpose the Security of Gas Supply and the Storage Regulations.</p>
Improving the environment	50%	<p>North Macedonia achieved limited progress in the area of environment. The long-standing non-compliance with the National Emission Reduction Plan ceilings remains unaddressed. Emission abatement measures must be taken immediately to address this.</p>
Performance of authorities	72%	<p>The regulatory authority completed the transposition of REMIT by adopting three secondary legal acts.</p>

2021 Fuel mix in primary production of energy (in ktoe)

2021 Gross available energy per product (in ktoe)



Overall number of cases: **1**

Procedure under Article **91** EnCT

ECS-22/21 Environment



North Macedonia

Markets and integration

ELECTRICITY

87%



UNBUNDLING

100%

The state-owned transmission system operator MEPSO is unbundled and certified in accordance with the acquis.

The distribution system operator Elektdistribucija is legally and functionally unbundled from other branches. The compliance report for 2022 was approved by the regulator but is not yet published.

With regards to balancing, MEPSO operates a competitive platform where it procures balancing services. Transmission and distribution losses are procured through transparent and market-based tendering procedures.

The REMIT Regulation is transposed and implemented.

ACCESS TO THE SYSTEM

91%

Access to and use of the system is based on compliant rules and published tariffs. The regulator's latest decisions set the currently applicable transmission and distribution tariffs from July 2023, applicable for one year.

The transmission grid code was amended in December 2021 to implement the Connection Codes. It defines most of the non-exhaustive requirements from the Connection Codes but is only applicable to generators with installed capacity equal to or greater than 10 MW. The distribution grid code was amended in 2022. However, it did not implement all required provisions of the Connection Codes and is yet to be upgraded to reflect all required parameters.

The Transparency Regulation is transposed and largely implemented. MEPSO publishes most information on consumption, generation and transmission and all information related to balancing.

RETAIL MARKET

100%

All customers are free to choose their supplier. In 2022, approximately 40% of the consumption was supplied at non-regulated prices. To incentivize energy savings, four block tariffs for household customers under universal service supply, from the lowest thresholds of 210 kWh/month to a monthly consumption exceeding 1050 kWh, were introduced in 2022 and continue to apply.

The Government adopted annual programmes to support vulnerable customers. The system for protection of vulnerable customers was further improved with amendments of the Energy Law in 2022.

WHOLESALE MARKET

93%

The wholesale market in North Macedonia is liberalised since 2019. The day-ahead market was launched by the national electricity market operator, MEMO, on 10 April 2023. The corresponding market rules were adopted at the beginning of 2023. The go-live of the intraday market necessary to allow market participants to balance their positions closer to real-time is still pending. The emergency measure of limiting the trading margins for retail market participants of 10% was phased out in April 2023.

REGIONAL INTEGRATION

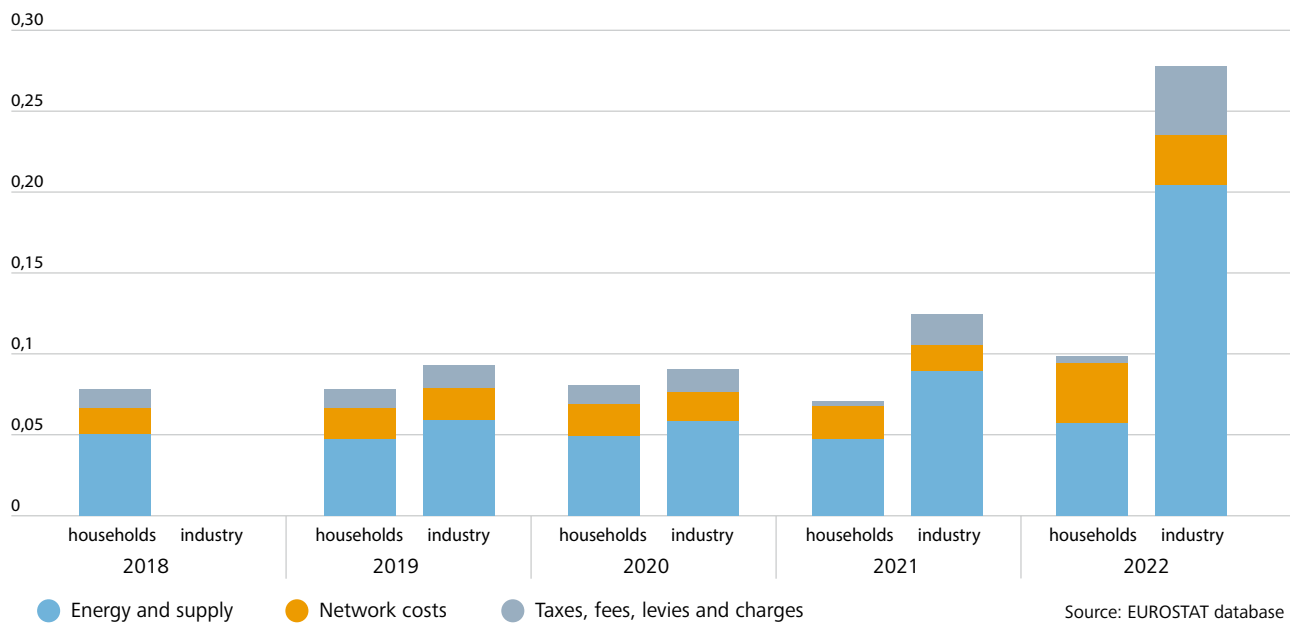
50%

The regional auction platform SEE CAO is used for capacity allocation with Greece and Kosovo*. Allocation for Serbia is done by MEPSO for the yearly and monthly capacities and by the transmission system operator of Serbia, EMS, for daily and intraday capacities. On the Bulgarian border, MEPSO performs the annual allocation and the transmission system operator of Bulgaria, ESO, the daily one.

MEPSO cooperates with the transmission system operators of Montenegro and Serbia within the same control block on the exchange of balancing energy.

In 2022, North Macedonia adopted amendments to the Energy Law, partially transposing the TEN-E Regulation (EU) 347/2013. There is currently no electricity PECEI project in North Macedonia. The previous one, 400 kV OHL Bitola (MK) - Elbasan (AL), is under construction but lagging behind the schedule.

Average annual prices of electricity for end users per component [EUR/kWh]



GAS

41%



UNBUNDLING

36%

North Macedonia has not complied with the unbundling requirements. The merging of two companies involved in operation of existing gas system (GA-MA) and the infrastructure developer (NER) was finalised by the end of 2022. The new company, Nomagas, is fully state-owned. An application for the certification in line with the Third Energy Package was submitted at the beginning of October 2023.

All existing distribution companies have less than 100.000 customers and are exempt from the unbundling provisions.

ACCESS TO THE SYSTEM

10%

The tariff methodology is in place, but non-compliant with the Tariff Network Code. The CAM Network Code is not implemented in practice. The Energy Law stipulates the direct applicability of mandatory network codes, whereas balancing elements and market rules were further determined by by-laws adopted in December 2022. Transparency is well below the level required by Annex I of Regulation (EC) 715/2009.

WHOLESALE MARKET

25%

There are only two active traders in the wholesale market, selling at market prices. All contracts are concluded bilaterally, on a monthly and yearly basis. However, the market remains illiquid, without a virtual trading point. REMIT Regulation (EU) 1227/2011 is not implemented.

RETAIL MARKET

81%

End-user gas prices are deregulated and all customers are formally eligible. Customer protection measures are defined in line with Annex I of Directive 73/2009/EC.

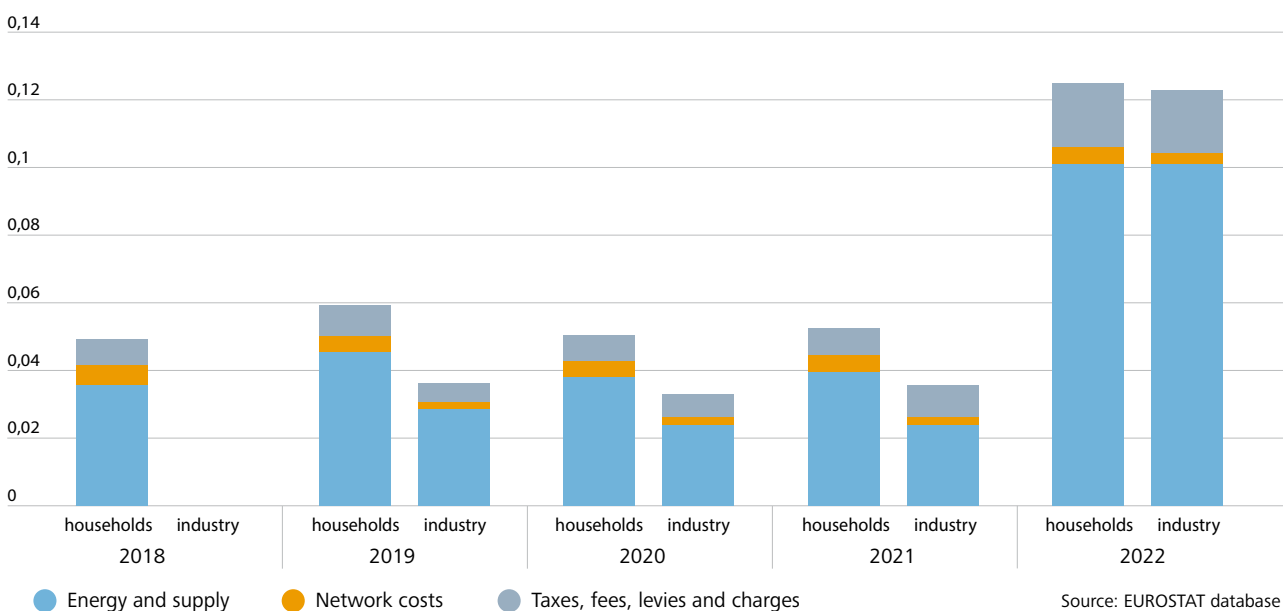
REGIONAL INTEGRATION

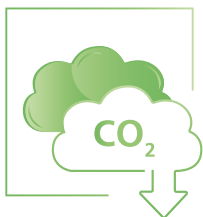
84%

In 2022, North Macedonia adopted amendments to the Energy Law, partially transposing the TEN-E Regulation (EU) 347/2013. The gas network of North Macedonia is connected only to the Bulgarian gas system. The interconnection agreement in line with the Network Code on Interoperability and Data Exchange between two adjacent operators fully in force as of 1 January 2023 was a game changer. It finally enables gas supply to North Macedonia from sources other than deliveries under long term contract with Gazprom. Additional release of booked and non-used capacity at the interconnection point Kyustendil-Zidilovo from the Bulgarian side would enhance the liquidity of the Macedonian gas market and regional integration.

The North Macedonia - Kosovo* Interconnector and the Serbia - North Macedonia Interconnector are PECI projects. Only the North Macedonia - Greece interconnector, a PMI, is progressing. Following the finalisation of the financing structure and successful market test in Greece, tendering is ongoing and the start of construction is imminent, with commercial operation expected to commence in the fourth quarter of 2025. The final investment decision of the project was announced in October 2023.

Average annual prices of gas for end users per component [EUR/kWh]





North Macedonia

Decarbonising the energy sector



GOVERNANCE / CLIMATE IMPLEMENTATION

46%

NATIONAL ENERGY AND CLIMATE PLANS

70%

The National Energy and Climate Plan (NECP), which was adopted in May 2022, is to be updated to ensure full compliance with the provisions of the Governance Regulation, as the draft Plan was developed prior to the adoption of the Regulation.

GREENHOUSE GAS 2030 TARGET

80%

North Macedonia has not defined the 2030 climate target in its national legislation, but has defined it in the NECP. The target is in line with the 2030 targets set by the Energy Community.

NATIONAL SYSTEMS FOR CLIMATE REPORTING

25%

There is no legal basis for the national inventory system. North Macedonia has not yet established a national inventory system or a national system on policies, measures, and projections.

North Macedonia has initiated reporting on national systems for policies and measures and projections, but has yet to submit a report.

North Macedonia is currently working on a draft Law on Climate Action that will contain provisions, among others, for a national greenhouse gas inventory system.

NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

13%

Reporting obligations have not been transposed in legislation. North Macedonia has nominated lead reporters for the Governance Regulation reporting activities. The reporting obligation was initiated, but not yet submitted on policies and measures (PaMs). In the context of Reportnet system, no reporting was initiated on carbon revenues and adaptation strategies.

LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

44%

The legal basis for a long-term strategy has not been adopted. Nonetheless, North Macedonia has submitted the long-term strategy to the UNFCCC Secretariat in 2021. However, it does not contain the 2050 climate neutrality objective.

RENEWABLE ENERGY IMPLEMENTATION

46%



2030 RENEWABLE ENERGY TARGETS **85%**

The overall target of achieving a 38% share of renewable energy in the gross final energy consumption, as outlined in the NECP, is in line with the 2030 target set by the Energy Community. The overall 2030 renewable energy target is subdivided into sectorial targets for electricity (66%), transportation (10%), and heating and cooling (45%). In line with Article 26 of the Renewable Energy Directive (REDII), North Macedonia has adjusted its minimum target for renewable energy in transport to 7% by 2030. The 2030 target for renewable energy in heating and cooling of 45% aligns with the requirements of Article 23 of REDII.

QUALITY OF SUPPORT SCHEME **65%**

Under the existing legal framework market-based support is granted in the form of a fixed premium. Administratively set feed-in tariffs are still applied for wind projects with an installed capacity of up to 50 MW and hydropower plants with installed capacity of up to 10 MW based on available quotas. This is not in line with the Energy Community law.

SELF-CONSUMPTION AND ENERGY COMMUNITIES **50%**

North Macedonia has implemented a self-consumption scheme in the form of net metering for households with installed capacity up to 6 kW and business up to 40 kW. The adoption of a Renewable Energy Law is crucial to facilitate the establishment of renewable energy communities in accordance with REDII requirements.

GUARANTEES OF ORIGIN **25%**

North Macedonia joined the Energy Community initiative to establish a regional system for guarantees of origin. The national electronic registry was created and can be utilized as soon as the market operator, as the designated issuing body, signs an agreement with the service provider. The existing legal framework governs the issuance of guarantees of origin solely for renewable electricity, without encompassing other energy carriers as specified by REDII.

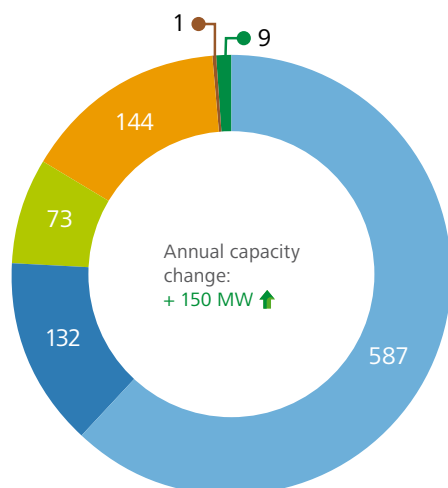
SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS **0%**

Provisions related to the sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids, and biomass fuels are still not transposed and the legal framework remains completely non-compliant with REDII. It is crucial to adopt a new Renewable Energy Law that includes specific provisions designed to introduce these provisions.

RENEWABLE ENERGY IN HEATING AND COOLING **33%**

Programmes for subsidizing households to replace inefficient fossil fuel and biomass appliances with efficient heat pumps are implemented. This underpins the NECP estimation of 24% of heat demand to be supplied by heat pumps in 2030. Measures to integrate renewable energy or waste heat into the Skopje district heating system are missing.

Total Capacities of Renewable Energy 2022 (MW)



- Large hydropower
- Small hydropower <10 MW
- Wind
- Solar
- Biogas
- Biomass

Total capacities of renewable energy (MW):

946

Source: Energy and Water Services Regulatory Commission

ENERGY EFFICIENCY IMPLEMENTATION

66%



2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

70%

The 2030 energy efficiency targets in the adopted NECP are aligned with the 2030 targets set by the Energy Community. The 2020 Law on Energy Efficiency transposed the 2012 Energy Efficiency Directive and set the specific targets required under Articles 5 and 7. The Ministry recently finalized draft amendments of the Law, to align it with Clean Energy Package requirements.

ENERGY EFFICIENCY IN BUILDINGS

52%

The Law on Energy Efficiency transposed the Energy Performance of Buildings Directive. The adoption of drafted rulebooks on energy audits of buildings and on energy performance of buildings is still pending. The long-term buildings renovation strategy is still not finalized.

ENERGY EFFICIENCY SCHEME AND FINANCING

63%

North Macedonia should adopt the amendments of the Law on Energy Efficiency and update the specific targets required in Article 7, introduced previously in 2020. It is in the process of setting up a National Energy Efficiency Fund, but the legal and regulatory framework for its establishment and operationalization remains to be adopted.

ENERGY EFFICIENT PRODUCTS – LABELLING

76%

Rulebooks implementing Directive 2010/30/EU were adopted. Rulebooks implementing the Framework Labelling Regulation 2017/1369/EU and implementing acts on labelling are under preparation.

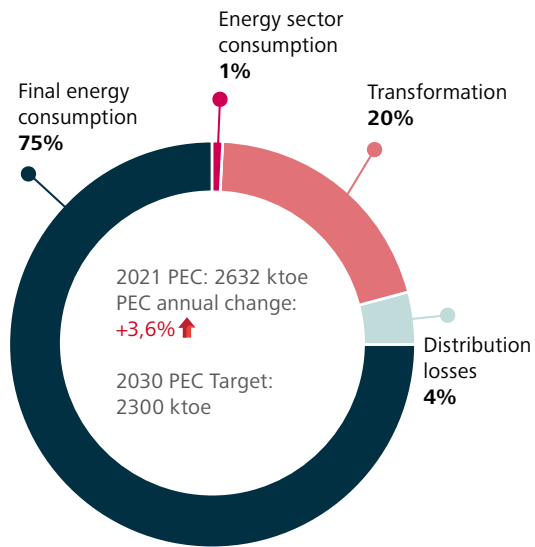
EFFICIENCY IN HEATING AND COOLING

70%

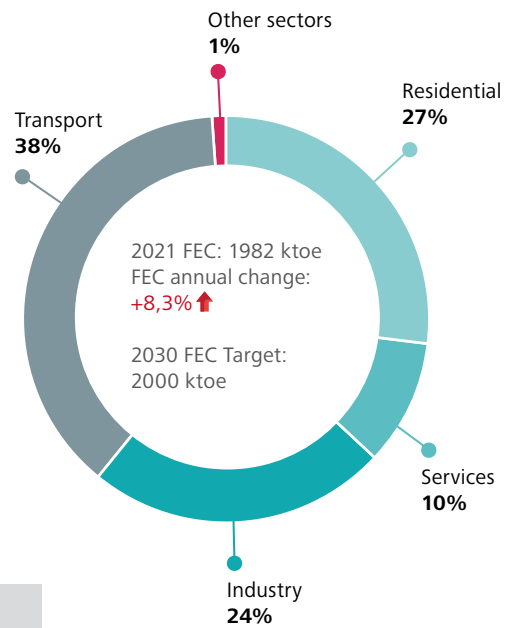
In December 2022, North Macedonia introduced provisions for inspecting heating and air conditioning systems in the Law on Energy Efficiency. While the transposition of district heat metering and billing provisions are in place, the full implementation of consumption-based billing in the Skopje district heating system is missing.

2021 Energy Efficiency Indicators and Trends

Primary Energy Consumption (PEC)



Final Energy Consumption (FEC)



Energy intensity,
 2021 value and trends:
 0,30 ktoe/mil EUR, **-0,9%** ↓

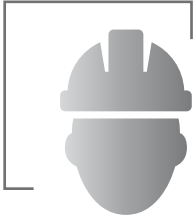
Source: EUROSTAT 2023 data and 2022 Ministerial Council Decision

Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
●	●	●	●	●

● In place ● In progress ● Not in place

Source: compiled by the Energy Community Secretariat



North Macedonia

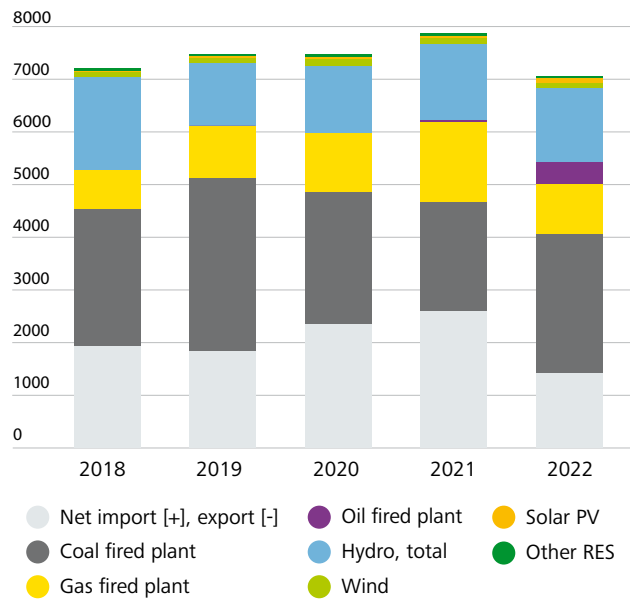
Ensuring energy security

ELECTRICITY SECURITY OF SUPPLY 48%

The Energy Law transposes Directive 2005/89/EC. The last Security of Supply Statement for electricity was submitted in 2019.

North Macedonia is preparing a new national strategy for cybersecurity 2023 - 2027, aiming to improve national capacities for cybersecurity, security and resilience of critical information infrastructure, international cooperation and raising awareness. The draft Law on Security of Networks and Information Systems underwent public consultation, but has not been adopted. The regulator issued cybersecurity rules in June 2023.

Fuel mix and primary supply of electricity (in GWh)



Source: Energy and Water Services Regulatory Commission, compiled by the Energy Community Secretariat

GAS SECURITY OF SUPPLY 0%

Security of supply provisions are not compliant with Regulation (EU) 2017/1938 or Regulation (EU) 2022/1032. North Macedonia's existing emergency rules are rudimentary at best.

OIL SECURITY OF SUPPLY 53%

Primary and secondary legislation are transposed and compliant with Directive 2009/119/EC. As of August 2023, the average occupancy level of the compulsory oil reserves, calculated following the new methodology prescribed in the Commission Implementing Directive (EU) 2018/1581 corresponded to 52 days of the average daily net imports. The decrease by three days compared to last year's period is due to the new calculation method used during the first half of 2023.

North Macedonia still needs to achieve full compliance with the emergency oil stocks obligation of 90 days net imports and the 2023 - 2025 action plan for the formation of mandatory reserves adopted in February 2023.

The Intervention Plan consists of the necessary procedures and measures to enable the competent authorities to release quickly, effectively, and transparently the emergency stocks in the event of a major supply disruption.

Reporting is partially fulfilled. The annual report is not submitted by 31 January as specified by Directive 2009/119/EC. The same applies for the summary copy of the stock register showing the quantities and nature of the emergency stocks included on the last day of the preceding calendar year. The Monthly Oil Statistics Questionnaire (MOS Oil) is submitted regularly.



North Macedonia

Improving the environment

ENVIRONMENTAL ASSESSMENTS **40%**

North Macedonia's failure to amend its legislation on environmental impact assessment (EIA) means that the breach established by the Ministerial Council persists. It also poses a significant risk to a quality EIA process for strategic energy projects. There has also been no improvements in secondary legislation concerning the screening processes for small hydropower projects with an installed capacity of less than 2 MW. The nature impact assessment required by the Nature Protection Law and the EIA is not integrated into a streamlined or coordinated process. The Secretariat received a complaint related to the EIA for the gas interconnector project between North Macedonia and Greece, alleging the lack of proper public participation in the decision-making process.

North Macedonia encounters challenges in implementing the legislation related to strategic environmental assessment (SEA). There is a lack of synchronised development of the draft plan or program and the SEA report, often leading to the adoption or endorsement of the plans before the SEA process is completed.

LARGE COMBUSTION PLANTS **43%**

North Macedonia complied with its emissions reporting obligations for the reporting year 2022. Compared to 2021, a major increase in the emissions of all three pollutants was observed, exacerbating the already significant non-compliance with the NERP ceilings. Emissions of sulphur dioxide and dust increased by 40%, while the increase in the case of nitrogen oxides was over 60%. The Secretariat referred an infringement case to the Ministerial Council in July 2023.

SULPHUR IN FUELS **92%**

The Sulphur in Fuels Directive has been transposed into national legislation and is being implemented via the annual fuel quality monitoring programme. The provisions on marine fuels do not apply.

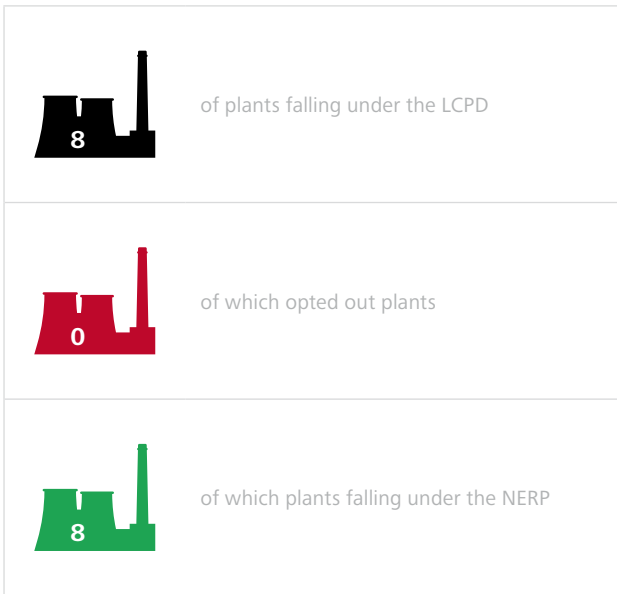
NATURE PROTECTION **60%**

The process of identifying Natura 2000 areas in North Macedonia has not been completed. So far, five sites have been identified as potential Special Protected Areas (SPAs) under the Birds Directive, covering around 2,3% of the country's total land area. The development of management plans for all Ramsar wetlands of international importance also has not been finalized. The preparation of Standard Data Forms for these proposed SPAs has been completed. During the reporting period, a draft national list of birds from Appendix I of the Birds Directive has been prepared. However, a national Red List specifically for birds has yet to be developed.

ENVIRONMENTAL LIABILITY **20%**

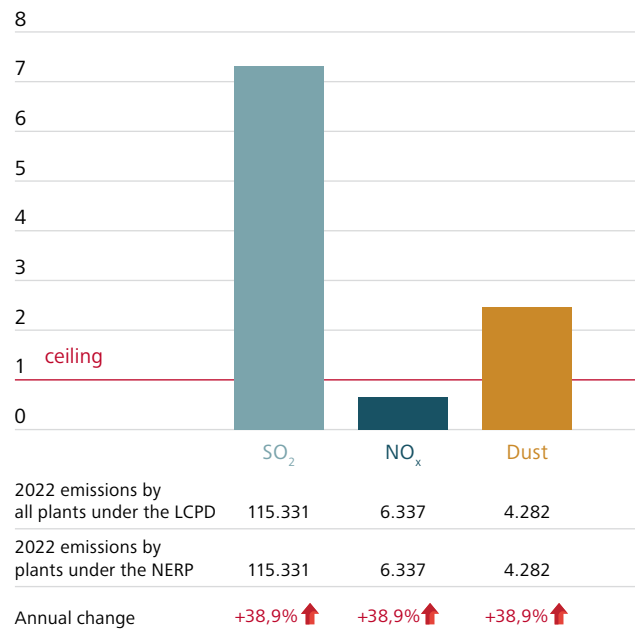
North Macedonia has transposed certain provisions of the Environmental Liability Directive via the Law on Environment. Secondary legislation remains to be adopted and the financial mechanisms to ensure implementation of the Directive's provisions is yet to be set up.

Installations under the Large Combustion Plants Directive



Source: compiled by the Energy Community Secretariat

2022 emissions versus NERP ceilings





North Macedonia

Performance of authorities



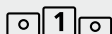
REGULATORY AUTHORITY

90%

The legal framework that governs the functioning of the Energy and Water Services Regulatory Commission of the Republic of North Macedonia (ERC) is largely aligned with Energy Community legislation. However, the management does not have full autonomy on internal organization, including staff appointment, since Parliament approves the statutes. Furthermore, the lack of annual budget approval by Parliament in the previous years represents an obstacle to the financial autonomy of ERC.

Within the reporting period, ERC approved natural gas distribution grid code, electricity and natural gas transmission and distribution network development plans, cybersecurity rules,

rules for operation of the organized electricity market, tariff systems for electricity universal supplier and the supplier of last resort, rulebooks for energy market monitoring, rules for supervision and guidance for inside information disclosure (the latter three as part of REMIT transposition). The regulator also approved the new gas transmission tariff methodology, however without implementing the Network Code on Harmonized Transmission Tariff Structures. Finally, the electricity end-user price regulation is maintained, with block-tariffs introduced to incentivize energy savings. There is no record of ERC performing enforcement actions.



COMPETITION AUTHORITY

25%

In the reporting period, the activities of the Commission for Protection of Competition (CPC) focused on the assessment of concentrations. Effective enforcement of competition law, in

particular with regard to anticompetitive agreements and the abuse of dominance, is required for North Macedonia to comply with its obligations under the Treaty.



STATE AID AUTHORITY

55%

In the reporting period, the CPC opened an investigation into the support granted by the Ministry of Finance to the Joint Stock Company for Performing Energy Activities National Energy

Resources Skopje. Rendering a decision on this case should be a priority for the future.



STATISTICAL AUTHORITY

100%

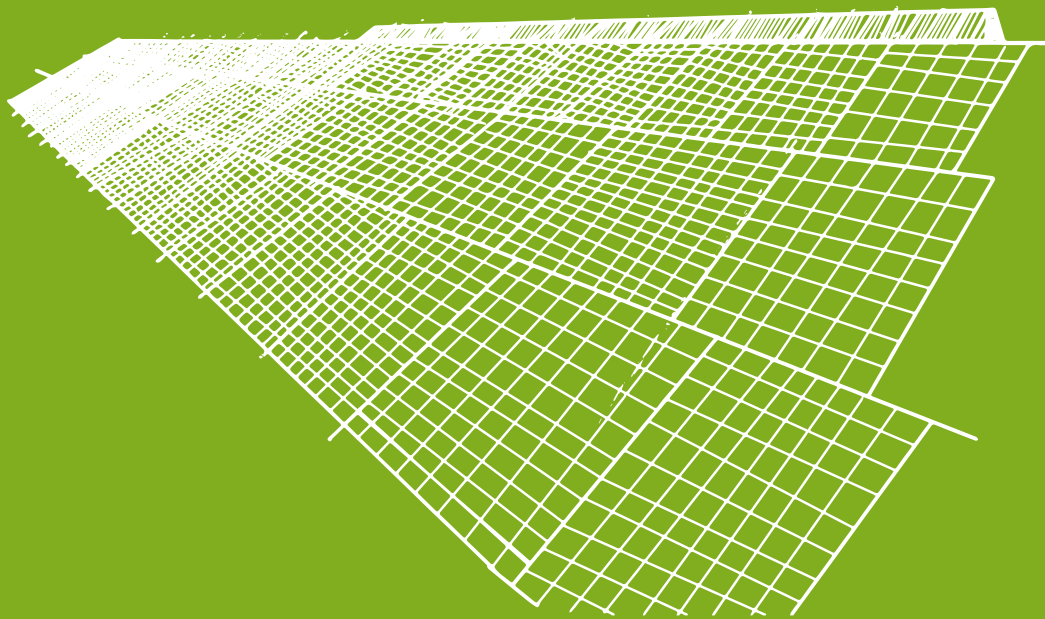
The State Statistical Office (SSO) is responsible for national energy statistics. The five annual questionnaires for 2021 are communicated to EUROSTAT timely and in compliance with the acquis, along with disaggregated data on residential consumption of energy and the questionnaire on renewables shares. Four out of five mini-questionnaires with preliminary questionnaires for 2022 were prepared and transmitted on time. SSO has established a system for producing quality reporting, and provided corresponding quality reports.

SSO releases monthly energy statistics on solid fuels, electricity, natural gas, oil and petroleum products including oil stocks. These are subsequently published by EUROSTAT, in compliance with the acquis, except for the crude oil import questionnaire.

Prices of electricity and natural gas charged to industrial end-users and households are compiled and submitted to EUROSTAT, together with the breakdown of prices per component, in line with the acquis. SSO prepared and submitted the quality report for statistics on electricity and natural gas prices to EUROSTAT.

11

Serbia















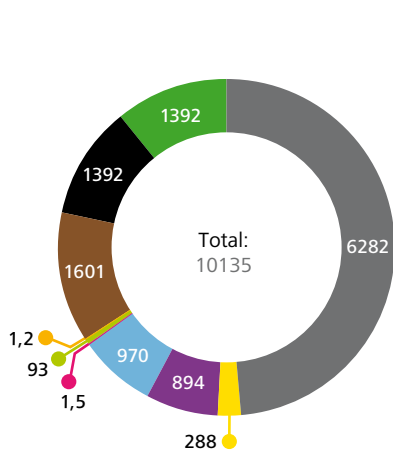


Serbia

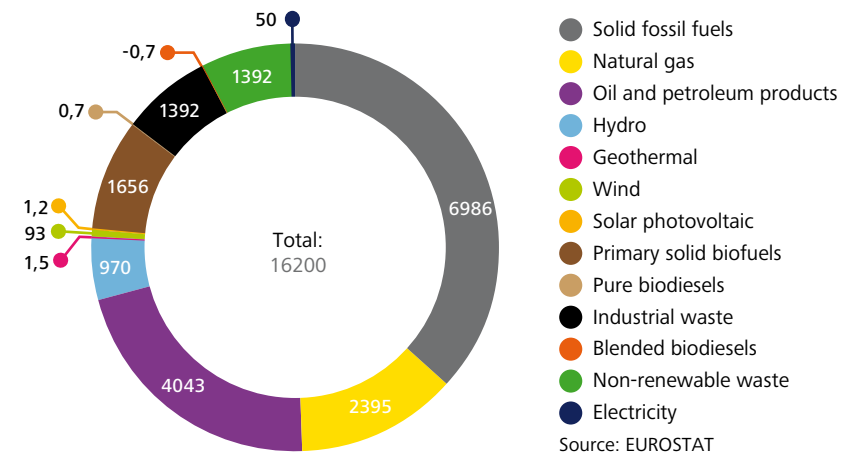
IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 Markets and integration	 57%	Amendments to the Serbian Energy Law as of July 2023 allow for the compliant unbundling of the electricity and gas transmission system operators. The intraday electricity market was launched in July 2023. Serbia should focus on the transposition and implementation of the Electricity Integration Package as a precondition for the coupling of its short-term markets. Serbia should certify the gas transmission and storage operators, grant third party access at the interconnection points, and remove any other obstacles to new market entrants.
 Decarbonising the energy sector	 68%	Serbia submitted its draft NECP within the prescribed deadline and adopted its long-term strategies on low-emission development and building renovation strategy. Serbia revised its Renewable Energy Law and conducted an inaugural auction for renewable energy. Serbia should adopt the final NECP in line with the Recommendations provided by the Secretariat.
 Ensuring energy security	 64%	Although the Gas Storage Regulation is yet to be transposed, Serbia fulfilled its storage targets. Serbia should transpose the Security of Gas Supply and the Storage Regulations. Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector should be transposed and its implementation should start with the designation of a competent authority.
 Improving the environment	 56%	Serbia made moderate progress in the area of environment. Environmental impact assessments are still not regulated in a compliant manner, which should be addressed without further delay.
 Performance of authorities	 81%	No progress was made with regard to the enforcement by AERS of unbundling of gas transmission operators or third party gas access to gas interconnection points.

2021 Fuel mix in primary production of energy (in ktoe)



2021 Gross available energy per product (in ktoe)



Source: EUROSTAT

ECS-23/21 Environment	Overall number of cases: 5		ECS-9/13 S Gas
ECS-9/23 Environment	Procedures under Article 91 EnCT	Procedures under Article 92 EnCT	ECS-10/17 S Gas
			ECS-13/17 S Gas



Serbia

Markets and integration

ELECTRICITY

83%



UNBUNDLING

93%

The national transmission system operator EMS is only legally and functionally unbundled. Amendments to the Energy Law adopted in July 2023 establish an independent commission to exercise control over the electricity and gas transmission system operators. With these amendments, Serbia took a major step towards completing the unbundling of its transmission system operators. The regulator is expected to reassess compliance with the unbundling criteria due to a change in control over the transmission system operator, as required by the acquis.

The state-owned distribution system operator, Elektro distribucija Srbije, is fully unbundled in accordance with the acquis. A new compliance officer was appointed in March 2023, the compliance report is yet to be published.

ACCESS TO THE SYSTEM

82%

Transparent rules govern the access to, the connection and the use of the system. Network tariffs for both transmission and distribution are established based on a published methodology, with the latest tariffs applicable since autumn 2021.

The Ministry adopted three decrees transposing the Connection Codes in September 2022. Within one year of entry into force, system operators are obliged to align their rules governing connection and obtain approval from the regulator. The transmission grid code of 2020 and the distribution grid code of 2017 are to be updated.

The Transparency Regulation is largely implemented. EMS publishes most of the information on consumption, transmission, generation and all balancing data on the platform.

WHOLESALE MARKET

99%

The day-ahead market is operational since 2016, the intraday market was launched in July 2023. Traded volumes on the day-ahead market were increasing and resulted in 10,5 TWh in 2022. This amounts to over 30% of final electricity consumption. The state-owned company producer and supplier Elektroprivreda Srbije (EPS) continues to be a dominant player in the Serbian electricity market.

The balancing market is operational but prices for balancing capacity, as well as for ancillary services are regulated by annual decisions of AERS. Such regulated prices will need to be reassessed under the new Electricity Integration Package which requires free price formation. EPS continues to be the only balancing service provider.

The REMIT Regulation is transposed and implemented.

RETAIL MARKET

78%

Despite all customers being free to choose their supplier, the majority continues to be supplied under regulated schemes. Only 3,8% of customers were supplied at non-regulated prices in 2022. They are predominantly big industrial customers not eligible for regulated supply. EPS continues to satisfy nearly all consumption in Serbia. A Government's recommendation on maximum retail prices of EPS at the outset of the energy crisis in 2021 led to consumers switching back to EPS.

AERS's reports for 2022 repeatedly concluded that deregulation of prices for universal service would be premature. Consequently, the appointment of a universal supplier in a market-based procedure is constantly postponed. End-user prices of regulated supply were increased several times in the reporting period, the latest increase of the average price by around 8% will apply as of 1 November 2023.

The concept of vulnerable customers is established in primary legislation. The Regulation on Energy Vulnerable Customers adopted in 2022 defines measures to protect such customers.

REGIONAL INTEGRATION

61%

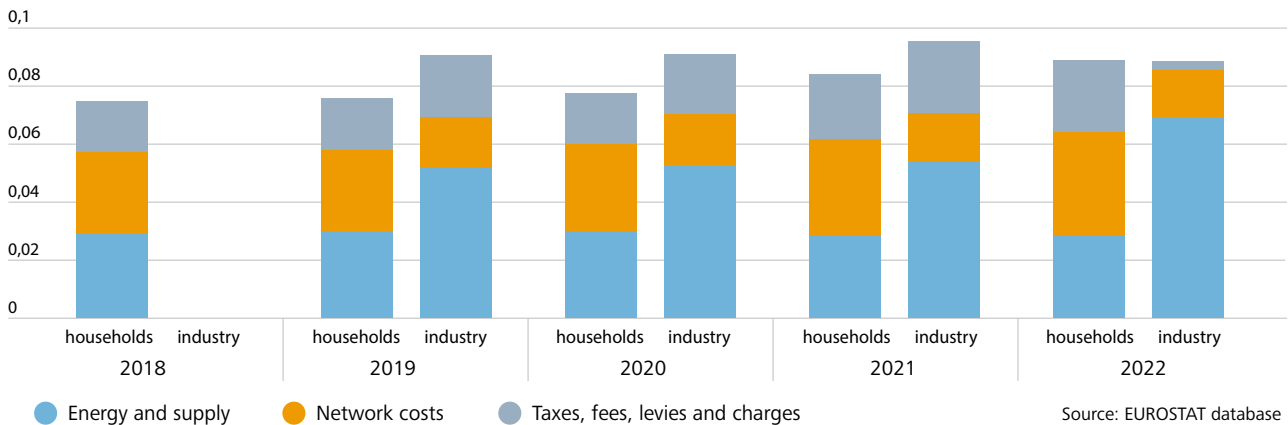
Only capacities on the interconnectors with Croatia and Bulgaria are allocated through the Joint Auction Office (JAO). For other cross-border capacities, except for Kosovo*, joint auctions are organized. For the interconnection with Kosovo* no capacity allocation takes place and respective rules are not established. This is subject to an open infringement case. There were no developments with regard to involving JAO or SEE CAO for the other interconnections.

EMS cooperates with neighbouring transmission system operators bilaterally on the exchange of balancing energy. Imbalance netting takes place with Montenegro within the control block of Montenegro, North Macedonia and Serbia. EMS became operational member of the European platform for the imbalance netting process (IGCC) in October 2022.

Amendments to the Law on Energy from 2021 allow the Government to define the conditions and manner of promoting strategic energy projects. Obligations of competent institutions and to monitor the implementation of such energy projects are also defined, as well as the procedure for preparing and implementing strategic investment projects identified as PEI and PMI projects. Other provisions of the TEN-E Regulation (EU) 347/2013 were supposed to be defined within six months from entry into force of the Law, but no further progress has been made.

There are three electricity PEI projects in Serbia, all part of the so-called Transbalkan corridor. Two are still not finished. Section 3 (2x400 kV OHL Obrenovac - Bajina Basta) is in a preparatory phase with construction to be finished in 2026. Section 4 (2x400 kV OHL Bajina Basta - Visegrad/Pljevlja) is scheduled to go into operation in 2027, depending on financing.

Average annual prices of electricity for end users per component [EUR/kWh]



GAS

30%



UNBUNDLING

10%

Serbia adopted amendments to the Energy Law in July 2023, establishing an independent commission to exercise control over the electricity and gas transmission system operators. These amendments should allow completion of the unbundling of Transportgas Srbija, the only 100% state-owned gas transmission system operator, under the ISO model. For now, neither gas transmission system operator in Serbia was certified in line with the gas acquis. YugoRosgaz Transport's certification has not progressed for the second year in a row since the unbundling plan was adopted by the Government in 2021 and presented to the European Commission.

Gastrans, exempted and certified by the regulator disregarding the Secretariat's dissenting Opinions, was licensed under the independent transmission operator model. The Banatski Dvor

storage system operator is not unbundled. Its certification according to the Gas Storage Regulation is due by 31 March 2024.

Srbijagas the only distribution system operator with more than 100.000 connected customers must implement the unbundling requirements under the Gas Directive, but did not progress with this task.

ACCESS TO THE SYSTEM

9%

Since the Government transposed the Network Codes in October 2022, the gas transmission system operators did not take any action to implement them. There is still no capacity allocation at the interconnection points. For many years, the capacity at the interconnection point Horgos with Hungary, is hoarded by the incumbent shippers, preventing any new entrants to the Serbian market from more liquid Central European hubs. This

is a serious breach of Energy Community law and increases the security of supply risks for the entire region.

The entry-exit transmission tariff methodology is in place, but tariffs in line with the Tariff Network Code are still not set. The balancing network code was not implemented. Gastrans was exempt from third party access contrary to the Secretariat's Opinion. Third party access to the Banatski Dvor storage is not ensured.

WHOLESALE MARKET

37%

The wholesale market in Serbia is the most monopolised market in the Energy Community, with the monopolistic supplier, Srbijagas providing all imported quantities, mainly from Gazprom, through a long-term contract concluded last year until 2025, for approximately ¾ of the country's annual needs. The rest is procured by Srbijagas purchases from the Hungarian market, and small quantities are produced and consumed by NIS, the oil company in Gasprom ownership.

This results in the gas market's illiquidity. A virtual trading point exists, albeit without exchange, as trade is performed via bilateral contracts.

The REMIT Regulation (EU) 1227/2011 was transposed by the regulator.

RETAIL MARKET

50%

In retail gas supply, Srbijagas is also the dominant market player. Supplier switching is established. There are 23 active retailers

and 31 suppliers under public service obligations, which are bundled with distribution system operations. Srbijagas as a retail supplier is bundled with its distribution system operator which is against the Energy Community rules. Srbijagas is the only wholesale supplier for public service suppliers and is the supplier of last resort. The regulated part of the retail market is relatively small, accounting for cca 15% of the market. A negligible number of customers have switched their suppliers.

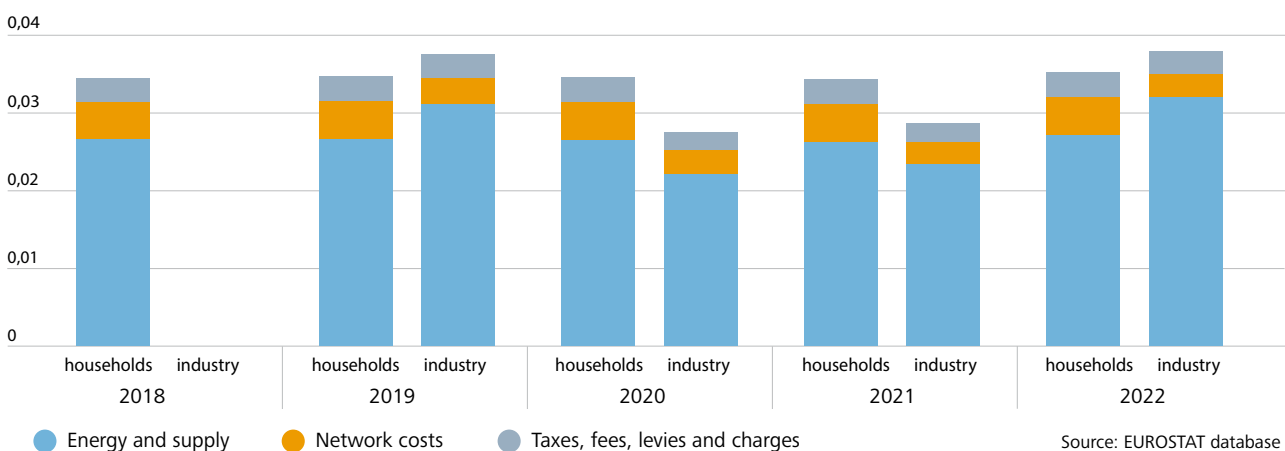
REGIONAL INTEGRATION

80%

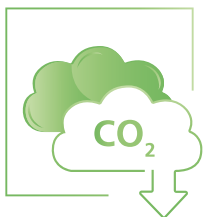
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The interconnectors Bulgaria - Serbia and Serbia - North Macedonia are PEI projects. The interconnector Bulgaria - Serbia is also a PCI priority project. It is currently under construction on Serbian territory and is scheduled to be commissioned in 2023. The project will diversify still available gas sources. In order to exploit its full potential for regional integration, third party access on the Horgos interconnector must be in place so that the pipeline can link Southeast and Central European markets. Transportgas Srbija has interconnection agreements with the adjacent transmission system operators.

Average annual prices of gas for end users per component [EUR/kWh]



Source: EUROSTAT database



Serbia

Decarbonising the energy sector



GOVERNANCE / CLIMATE IMPLEMENTATION

61%

NATIONAL ENERGY AND CLIMATE PLANS

92%

Serbia submitted its draft NECP to the Secretariat. At the time of submission, it was subject to public and regional consultation.

GREENHOUSE GAS 2030 TARGET

80%

Serbia has not defined the 2030 climate target in its national legislation, but has defined it in the draft NECP. The target is in line with the 2030 targets set by the Energy Community.

NATIONAL SYSTEMS FOR CLIMATE REPORTING

48%

There is a legal basis for a national inventory system. Serbia has not nominated a lead reporter, and no report was submitted on the national system on policies and measures and projections.

NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

25%

Reporting obligations have been transposed in the legislation. Serbia has not nominated lead reporters for the Governance Regulation to report activities. No reporting activity was initiated.

LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

63%

The legal basis for a long-term strategy has been adopted. Serbia has recently adopted a long-term strategy until 2030 with projections until 2050. While the strategy foresees coal phase-out for 2050, it lacks a climate neutrality objective.

RENEWABLE ENERGY IMPLEMENTATION

63%



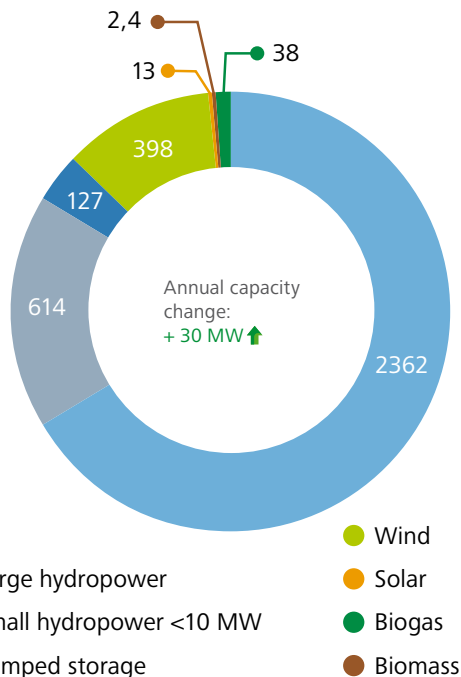
2030 RENEWABLE ENERGY TARGETS **20%**

The overall target of achieving a 33,6% share of renewable energy in the gross final energy consumption, as stipulated in the draft NECP, is not in line with the 40,7% 2030 target set by the Energy Community. The overall 2030 renewable energy target is subdivided into sectorial targets for electricity (45%), transport (7%), and heating and cooling (41,4%). In line with Article 26 of the Renewable Energy Directive (REDII), Serbia has adjusted its minimum target for renewable energy in transport to 7% by 2030. The 2030 target for renewable energy in heating and cooling of 41,4% is not aligned with Article 23 of REDII.

QUALITY OF SUPPORT SCHEME **90%**

Amendments to the Renewable Energy Law adopted in April 2023, supported by secondary legislation, established the pre-conditions for auctioning in the form of market premiums. In June 2023, the inaugural auction was held for wind (400 MW) and solar (50 MW) power plants. A total of 400 MW in onshore wind capacity was awarded across four projects, with winning prices varying from EUR 64,48 to EUR 79 per MWh. Additionally, 25,2 MW in solar photovoltaic capacity was awarded among four projects, with winning prices ranging from EUR 88,65 to EUR 98,8 per MWh.

Total Capacities of Renewable Energy 2022 (MW)



Total capacities of renewable energy (MW):

3554

Source: Ministry of Mining and Energy

SELF-CONSUMPTION AND ENERGY COMMUNITIES **75%**

Serbia deploys a two-prong strategy to promote self-consumption, with net metering mechanisms for households (up to 10,8 kW) and net billing for industries (up to 150 kW). Amendments to the Renewable Energy Law have paved the way for the introduction of renewable energy communities in accordance with REDII requirements. However, the actual implementation is still missing.

GUARANTEES OF ORIGIN **65%**

Currently, Serbia is the only Contracting Party to have successfully implemented a functional guarantees of origin (GOs) system for electricity, which includes the adoption of disclosure rules and the publication of a national residual mix. Its issuing body EMS, become a member of the Association of Issuing Bodies (AIB). However, the existing legal framework envisages the issuance of GOs solely for renewable electricity without encompassing other energy carriers as required by the REDII.

SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS **50%**

Amendments to the Renewable Energy Law in Serbia created the legal framework for incorporating sustainability and greenhouse gas emissions criteria. To achieve full alignment with REDII requirements, the decree on sustainability and greenhouse gas emissions savings criteria for biofuels, bioliquids, and biomass was adopted in October 2023.

RENEWABLE ENERGY IN HEATING AND COOLING **83%**

Programmes for the renovation of residential buildings implemented in 2023 incentivise, among others, the purchase of heat pumps. The Ministry established a programme to support eleven district heating systems with the installation of renewables-based technologies. The potential for utilising renewable energy in district heating would require further support from local authorities in line with Article 71 of the Renewable Energy Law.



ENERGY EFFICIENCY IMPLEMENTATION

79%

2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

74%

The 2030 energy efficiency targets, as stipulated in the draft NECP, are only partly aligned with the 2030 targets set by the Energy Community. While the 2030 primary energy consumption target is aligned, the final energy must be aligned with the target agreed by the Energy Community (9,54 Mtoe).

Upon adoption of the Law on Energy Efficiency and Rational Use of Energy in April 2021, the remaining implementing acts were adopted during 2023. The rules on minimum criteria for energy audits and training for energy managers enhance compliance with the amended Energy Efficiency Directive (EED). The systems for monitoring of energy savings and the information system for energy audits were updated in 2023.

ENERGY EFFICIENCY IN BUILDINGS

64%

Serbia adopted a long-term building renovation strategy until 2030 in February 2022, and is now in the process of drafting an implementing action plan. On the other hand, no progress was achieved in the finalization of the regulation on minimum energy performance requirements and certification, which is required to achieve full compliance with the Energy Performance of Buildings Directive.

ENERGY EFFICIENCY SCHEME AND FINANCING

92%

Serbia implements Article 7 target on obligation schemes through alternative measures. Previously part of National Energy Efficiency Action Plans, the reporting is now included in the draft NECP.

The Administration for Financing and Promotion of Energy Efficiency, established within the Ministry of Mining and Energy, adopted annual its programme for 2023, in line with Article 20 of EED. Financial support for energy efficiency projects in the public and residential sector is available.

ENERGY EFFICIENT PRODUCTS – LABELLING

92%

The Framework Labelling Regulation (EU) 2017/1369 was transposed by the Governmental Decree on Energy Labelling, which was adopted in May 2023. In the previous reporting period, the Ministry updated the existing rulebooks to introduce new requirements and rescaled labels for fridges and freezers, washing machines and dishwashers, electronic displays and light sources, as required by the 2022 Ministerial Council Decision.

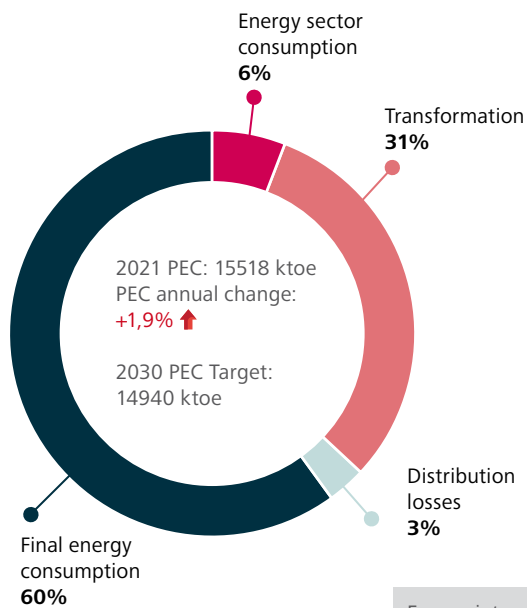
EFFICIENCY IN HEATING AND COOLING

76%

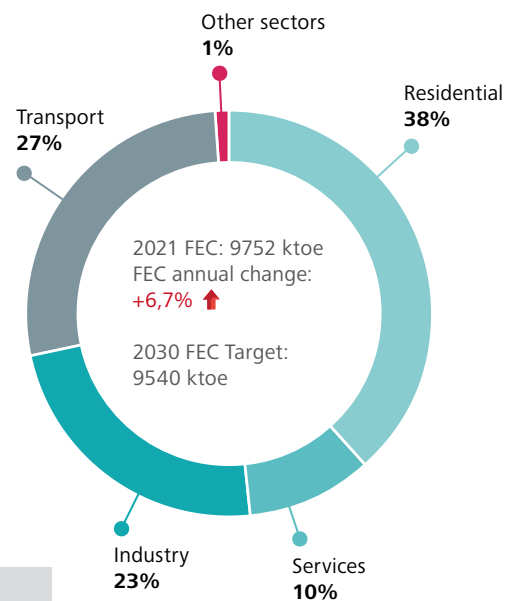
While an assessment of the potential for efficient heating and cooling was drafted in 2023, it has not been adopted. Of 58 district heating systems, only one quarter implements consumption-based billing, while the rest apply payment per square meter. Serbia adopted a rulebook on determining the technical feasibility of installing heat meters. Rules on heat cost allocation are still missing. Implementation of consumption-based billing in all cities would be essential for improving the efficiency of district heating. In 2023, Serbia continued to support households with subsidies for the replacement of inefficient heating devices.

2021 Energy Efficiency Indicators and Trends

Primary Energy Consumption (PEC)



Final Energy Consumption (FEC)



Energy intensity, 2021 value and trends:
0,40 ktoe/mil EUR, -5,4% ↓

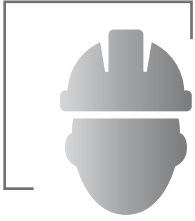
Source: EUROSTAT 2023 data, draft NECP and 2022 Ministerial Council Decision

Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
		n/a		

In place In progress Not in place

Source: compiled by the Energy Community Secretariat



Serbia

Ensuring energy security

ELECTRICITY SECURITY OF SUPPLY 80%

Serbia transposed Directive 2005/89/EC and regularly submits Security of Supply Statements.

Cybersecurity in the energy sector is implemented through information and communication systems of special importance, established by the Law on Information Security. Risk assessment is also defined in this Law and performed by SRB-CERT. Inspection and supervision of information and communications technologies takes place on an annual basis and includes energy companies.

Fuel mix and primary supply of electricity (in GWh)



Source: Ministry of Mining and Energy, compiled by the Energy Community Secretariat

GAS SECURITY OF SUPPLY 50%

The Security of Gas Supply Regulation and the Storage Regulation have not been transposed. Yet, Serbia complied with the storage target requirements and has a security of supply

framework in place, which needs to be brought in compliance with the acquis.

OIL SECURITY OF SUPPLY 58%

Serbia adopted primary and secondary legislation on oil stocks and forms mandatory oil reserves. The current crude oil equivalent corresponds to 41 days of net imports. Serbia is not compliant with the emergency oil stocks obligation of 90 days of net imports or 61 days of inland consumption. Considering the increase in materials and oil derivatives prices, there is a need to revise the 2021 - 2026 action plan for establishing these reserves. The Emergency Response Plan is adopted, establishing the authority and assigning the responsibility for eliminating supply disruptions. The plan entails actions to assure emergency stock availability to the market in case of international decisions.

Serbia is the only Contracting Party that has submitted all required reports as specified in Directive 2009/119/EC. This includes a summary of the stock register for 2022, monthly oil statistics from January to July 2023 and the annual report analysis of the measures taken by national authorities to ensure and verify the availability and physical accessibility of emergency stocks.



Serbia

Improving the environment

ENVIRONMENTAL ASSESSMENTS

43%

The breach established by the Ministerial Council concerning the incomplete transposition of the amended Environmental Impact Assessment (EIA) Directive persists. A draft of the new EIA Law was submitted to the Parliament for adoption. The draft EIA Law features significant improvements, including public consultation process with an extended timeframe of 40 days, and external expert assessment to enhance the quality of EIA reports. However, the proposal lacks a provision requiring projects to obtain the development consent only after the EIA process is finalized. Instead the EIA is required only at the stage of commencement of works. The Secretariat has already identified this breach in the applicable legislation, deviating from the fundamental requirement of Article 2(1) of the EIA Directive. Furthermore, the draft law lacks mechanisms to assess projects that have been carried out without the necessary permits and EIAs, and clear timeframes. This absence opens the possibility for developers to circumvent the EIA.

The draft Law on Strategic Environmental Assessment (SEA) has been submitted to the Parliament, which, upon adoption, will transpose the SEA Directive. Serbia has initiated the SEA process for the draft National Energy and Climate Plan (NECP) and has engaged in a transboundary process. The outcome of this consultation process is still pending.

LARGE COMBUSTION PLANTS

60%

Serbia complied with its reporting obligations under the Large Combustion Plants Directive for the reporting year 2022. Emissions of nitrogen oxides and dust have decreased, while sulphur dioxide emissions increased. Compliance with the ceilings for dust was maintained for the fourth consecutive year. Significant non-compliance in the case of sulphur dioxide however still persists. An infringement procedure for non-compliance with the NERP ceilings has been opened in March 2021. Out of the four large combustion plants operating under the opt-out regime, TPP Morava has already reached the end of its 20.000 hours limit, for which the Secretariat also opened infringement proceedings. The end of 2023 marks the end of this implementation alternative for all other opted-out plants. These units cannot be operated after 1 January 2024.

SULPHUR IN FUELS

92%

With legislation in force since December 2020, Serbia has complied with the provisions of the Sulphur in Fuels Directive also related to heavy fuel oil. Amendments to the Rulebook related to the requirements for marine fuels are being drafted. The annual fuel quality monitoring programme foresees the sampling and analysis of heavy fuel oil and gas oil.

NATURE PROTECTION

67%

Efforts to establish Natura 2000 sites continue, with the current proposal encompassing 277 potential Sites of Community Interest and 85 Special Protection Areas for Birds, as part of future Natura 2000 network of Serbia. This proposal covers approximately 35% of Serbia's territory.

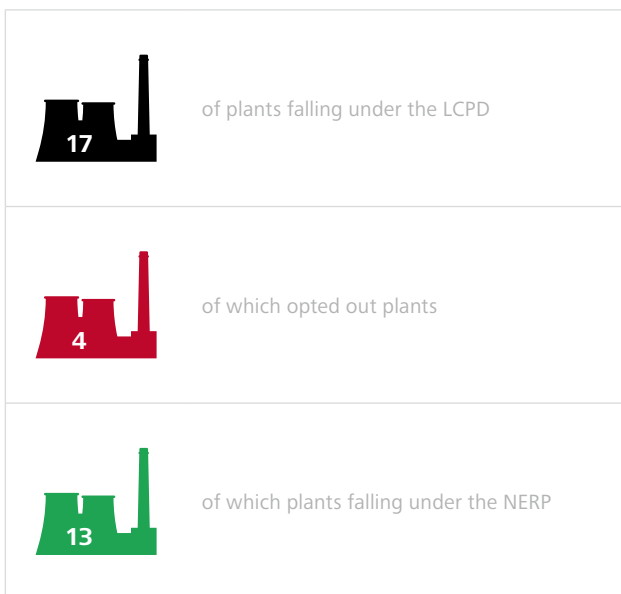
Additionally, five Pilot Management Plans are ready for approval. The national action plan for bird conservation and the National Red List for bird species is delayed. Challenges persist in terms of institutional and human resource capacity, both at the national and local levels, in the area of nature conservation. Additionally, the ban on constructing small hydropower plants in protected areas, introduced through the Law on the Use of Renewable Energy Sources, does not require the appropriate assessment of the ecological network.

ENVIRONMENTAL LIABILITY

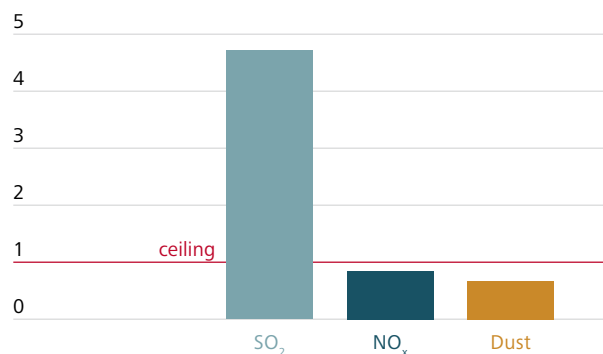
10%

Serbia has transposed certain provisions of the Environmental Liability Directive in the Law on Environmental Protection. The Law on Liability for Environmental Damage has not been adopted.

Installations under the Large Combustion Plants Directive



2022 emissions versus NERP ceilings



2022 emissions by all plants under the LCPs	305.684	34.092	6.353
Annual change	+8,9% ↑	-5,3% ↓	-15% ↓
2022 emissions by plants under the NERP	261.288	31.794	4.911
Annual change	+4,5% ↑	-3,7% ↓	+2,2% ↑

Source: compiled by the Energy Community Secretariat

Amount of operational hours used from opt-out period

Termoelektrana Kolubara A3 (boilers 3, 4, 5) 	Expected expiry of opt-out period	April 2023
	Remaining hours	1.165
	Operating hours consumed in 2018 - 2022	18.835
Termoelektrana Morava 	Expected expiry of opt-out period:*	EXPIRED
	Remaining hours	0
	Operating hours consumed in 2018 - 2022	23.051
Termoelektrana Kolubara A3 (boiler 1) 	Expected expiry of opt-out period	April 2023
	Remaining hours	1.122
	Operating hours consumed in 2018 - 2022	18.878
Termoelektrana Kolubara A5 	Expected expiry of opt-out period	November 2023
	Remaining hours	3.701
	Operating hours consumed in 2018 - 2022	16.299

*Calculations for the expected expiry of the opt-out period are based on 2018 - 2022 average load factor.

Source: compiled by the Energy Community Secretariat



Serbia

Performance of authorities



REGULATORY AUTHORITY

77%

The legal setup governing the Energy Agency of the Republic of Serbia (AERS) is largely in line with the Energy Community legislation. However, the autonomy of the management related to internal organization and the use of the annual budget is limited by the requirement of the Parliament to adopt statutes and hire additional staff. Furthermore, the penalties imposed by AERS are limited in terms of scope and magnitude.

In 2023, AERS approved amendments to the electricity market code, electricity pricing methodologies and a methodology for natural gas distribution charges. It also approved the electricity distribution network development plan.

No progress was made regarding AERS's enforcement of unbundling of natural gas network operators or third party gas access to gas interconnection points. Certification of the electricity transmission system operator EMS in line with the Secretariat's requirements depends on the establishment of a new body (Republic Commission on Energy Networks) in control of network operators. The regulator still took no action to enable third party access to gas interconnection point Horgos. AERS also continues to set market prices. There is no record of AERS performing enforcement actions yet.



COMPETITION AUTHORITY

70%

In the reporting period, the Commission for Protection of Competition again limited its enforcement activity in the energy sector to the clearing of one merger. Full compliance with its

obligations under the Treaty would require effective enforcement of the competition acquis in the energy sectors.



STATE AID AUTHORITY

80%

In the reporting period, the Commission for State Aid Control reviewed the support granted by the Ministry of Energy to Elektroprivreda Srbija for the implementation of a high-efficiency cogeneration project at Nikola Tesla A TPP, as well as for the

construction of the Obrenovac-New Belgrade heating pipeline and found it to be in compliance with the criteria for State aid for environmental protection and energy.



STATISTICAL AUTHORITY

100%

The Statistical Office of the Republic of Serbia (SORS) is the main producer of national energy statistics. The five annual questionnaires with 2021 data are transmitted on time and published by EUROSTAT, together with the disaggregated data on energy consumption of households and the questionnaire on renewables shares in 2021. Mini-questionnaires with the preliminary data for 2022 were also compiled and transmitted to EUROSTAT.

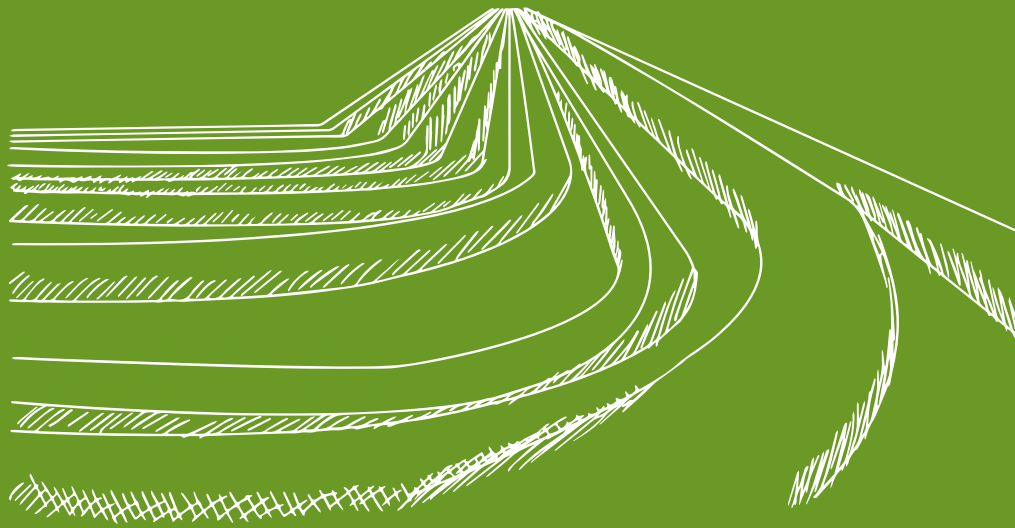
SORS is responsible for disseminating monthly data. In cooperation with the Ministry of Mining and Energy, monthly electric-

ity, coal, natural gas and oil data including oil stocks data are collected and transmitted to EUROSTAT.

Bi-annual prices of electricity and natural gas for end users in industry and households per consumption band, as well as the price breakdown per main components, are submitted to EUROSTAT in accordance with the acquis. The quality reports on electricity and natural gas price statistics are submitted to EUROSTAT and published.

12

Ukraine







Ukraine

IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 Markets and integration	 69%	<p>The Law on REMIT was adopted in June 2023 and its implementation started. Ukraine certified its gas storage operator. Ukraine should accelerate transposition and implementation of the Electricity Integration Package as a precondition for the coupling of its short-term markets. Ukraine should re-establish the gas market fundamentals and further strengthen the unbundling status of GTSOU.</p>
 Decarbonising the energy sector	 44%	<p>Ukraine adopted a law which provides the legal framework for implementing a guarantees of origin registry, introduces a net billing scheme for self-consumption and provides directions for future renewable energy auctions. Ukraine should submit the draft NECP to the Secretariat.</p>
 Ensuring energy security	 61%	<p>The operation of the electricity system was preserved despite severe energy infrastructure damages caused by the Russian military aggression. Ukraine fulfilled the gas storage targets. Ukraine should improve the risk-preparedness planning starting with the transposition of the Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector and the designation of a competent authority. Ukraine should adopt a risk assessment for the gas market and transpose the Security of Gas Supply Regulation.</p>
 Improving the environment	 52%	<p>In Ukraine, implementation of the environmental acquis is overshadowed by the ongoing military aggression. Nevertheless, compliance is still high.</p>
 Performance of authorities	 76%	<p>The regulator certified the gas storage system operator in line with the Energy Community gas regulation and adopted a set of secondary legislation acts enabling REMIT implementation. NEURC should adopt the remaining REMIT legislation and launch the relevant investigatory and enforcement actions.</p>

Overall number of cases: **2**

Procedures under Article **91** EnCT

ECS-1/18 Energy efficiency

ECS-4/18 Infrastructure



Ukraine

Markets and integration

ELECTRICITY

72%



UNBUNDLING

95%

The transmission system operator Ukrenergo has made progress in implementing the requirements from the regulator's final decision on the certification of Ukrenergo under the ISO model. However, further actions are needed to fully implement the requirements from the certification decision, including the completion of the supervisory board. Compliance with unbundling requirements is one of the preconditions for Ukrenergo's full membership in ENTSO-E.

The majority of the distribution system operators (privately owned) are unbundled. The unbundling of the state-owned distribution system operators needs to be reconfirmed due to changes in the ownership structure.

Price caps applied on all organised market segments, (day-ahead, intraday and balancing), were increased by the regulator in June and November 2023.

The non-compliant Public Service Obligation (PSO) Act was prolonged until the end of 2023. A so-called "export PSO", obliging exporters to transfer 80% of their profit to the guaranteed buyer for covering the deficit of universal service suppliers under the PSO Act applies for the duration of martial law. The so-called "coal PSO", according to which Ukrenergo was obliged to finance electricity generation from coal for the heating season 2022 - 2023 was phased out as from 1 June 2023.

Losses are procured by the transmission system operator and distribution system operators on the market. The ancillary services, including balancing capacity are procured at regulated prices kept at the level of 2022.

ACCESS TO THE SYSTEM

73%

Access to the transmission and distribution systems is ensured through publicly available tariffs. For the period of martial law, a separate procedure for the temporary connection to the distribution networks is applied. This procedure suspends some provisions of the distribution grid code.

Connection network codes have not been transposed by a formal governmental or regulatory act. Yet, the requirements were partially implemented through transmission and distribution grid codes in 2018 by two resolutions of the regulator NEURC. The majority of requirements were properly transposed in the transmission grid code.

Publication of data in line with the Transparency Regulation remains on hold due to martial law. The transmission tariff for exporters, and the dispatch tariff for importers and for exporters will not be applied from 1 January 2024, according to the latest amendments to the transmission and dispatch tariff methodologies and transmission grid code. The costs will be covered under the inter-TSO compensation (ITC) mechanism once Ukrenergo joins.

The Law on REMIT was adopted in June 2023 with a number of secondary legal acts to be adopted by the regulator within three and nine months following its publication. The regulator has adopted the procedure for the registration of wholesale market participants, the investigation procedure and the methodology for the calculation of penalties. The registration of market participants has started in mid-October.

RETAIL MARKET

73%

All customers in the retail market are free to choose their supplier. Universal service suppliers are obliged to supply electricity to households, small customers and several other categories of customers entitled to regulated prices. During the reporting period, prices for households were brought closer to cost-reflectivity level. A block tariff, i.e. a different price for consumption up to/above 250 kWh per month, was phased out by 1 June 2023.

The company Ukrinterenergo was reappointed by the Government as a supplier of last resort until 30 June 2024. The operating costs are currently covered by Ukrenergo on the basis of the amendments to the Household PSO adopted in April 2023 by the Government. By a separate Ministry's Order, universal service suppliers must supply electricity to those consumers whose supplier is in default or lost the license. In practical terms, universal service suppliers in some cases substitute the supplier of last resort.

WHOLESALE MARKET

77%

All market segments – bilateral, day-ahead, intraday, balancing and ancillary services markets – remain operational, despite the continuation of the war and significant damages to the Ukrainian power system.

Special rules for load shedding, by limiting disconnection of consumers using imported electricity only to emergency situations, were applied for the autumn-winter season 2022 - 2023. The Government has adopted a new resolution for the autumn-winter season 2023 - 2024.

REGIONAL INTEGRATION

38%

The Law about Projects of National Interest in the Field of Energy was submitted to the Parliament in March 2023 with the aim of transposing TEN-E Regulation (EU) 347/2013. It has not been adopted.

Due to war conditions and extensive infrastructural damages in Ukraine, former PMI projects (750 kV OHL to Romania, Pivdennoukrainska – Isaccea, and 2x400 kV OHL to Slovakia, Mukacheve - V.Kapusany) are currently on hold.

Ukrenergo made progress towards the implementation of joint capacity allocation. The rules for long-term and daily allocation with Romanian transmission system operator Transelectrica were approved by both regulators, and daily auctions started on 2 November 2023 via Ukrenergo's allocation platform. The daily rules for joint allocation on the interconnectors with Hungary, Slovakia and Poland were consulted by JAO and approved by the regulator NEURC. Auctions are expected to start in January 2024. Rules for joint capacity allocation on the interconnection with Moldova, to be performed by Ukrenergo, are still being prepared by the transmission system operators.



UNBUNDLING

85%

The transmission system operator is unbundled and certified. A law adopted in summer 2023 and a new charter transfer it under the control of the Ministry of Energy and improve its corporate governance. The financial situation of GTSOU has been improved.

The storage system operator is certified in line with Regulation (EU) 2022/1032. The Government transferred rights to operate a significant number of distribution networks to Naftogaz subsidiaries. Compliance with Directive 2009/73/EC, in functional, information and other forms of unbundling, has to yet be established.

ACCESS TO THE SYSTEM

78%

Third party access to transmission, storage and distribution systems is in place based on regulated tariffs determined by the regulatory authority. The transmission tariffs were set in line with a methodology compliant with Regulation (EU) 2017/460. However, certain elements of the Tariff Network Code, are not implemented, such as cross-border cost allocation assessment or consultation and publication requirements. Full implementation of the balancing code is also missing. Some pending transparency requirements have been further postponed under martial law, but the information needed to access the network is available. GTSOU offers capacity at the interconnection with Poland at the GSA Platform, and for all other interconnectors at the RBP Capacity Platform, in line with the ENTSOG auction calendar. Full implementation of the Network Code for Capacity Allocation Mechanisms, such as offering bundled interconnection point capacity, depends on the adjacent transmission system operators, mainly from EU Member States. Virtual interconnection points (VIP) have been established with Poland and Hungary.

WHOLESALE MARKET

33%

The remarkable progress in wholesale gas market opening achieved in the past has been reversed since the start of the Russian aggression. Still, a few traders are active in the market, and very small quantities continue to be sold at the exchange while the majority of the gas volume has been supplied under the public service obligation regime and regulated prices.

REMIT Regulation (EU) 1227/2011 was transposed in June 2023. Ukraine continued to apply a ban on gas exports.

RETAIL MARKET

45%

Ukraine deregulated prices for all customers in 2021, but the PSO Act adopted after the start of the war and prolonged further requires Naftogaz to ensure the supply of gas to consumers, district heating companies and Naftogaz affiliated companies. It also regulates the prices all along the supply chain. Naftogaz is, beside being the main gas producer, wholesale trader and supplier of last resort, also the dominant retail supplier.

Gas consumption decreased by 30 - 40%. Despite the continuous damage, repairs and war operations, a small number of customers, some 1 million, have been without gas supply and disconnected from the network.

REGIONAL INTEGRATION

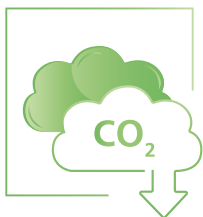
88%

The Law about Projects of National Interest in the Field of Energy was submitted to Parliament in March 2023 with the aim of transposing TEN-E Regulation (EU) 347/2013. It has not been adopted.

The transmission system is well interconnected with large capacity on all borders. The majority of interconnection points are covered by interconnection agreements aligned with the Network Code on Interoperability and Data Exchange, as well as the principles of the Capacity Allocation Code. As part of its efforts to increase firm capacity at interconnection points, the transmission system operator conducted two rounds of for incremental capacity procedure with the Polish transmission system operator, which showed significant demand. The transmission system operators plan to perform binding auctions in 2024.

GTSOU conducts pilot operations with the Hungarian transmission system operator, in order to provide firm capacity on the Bereg VIP towards Ukraine.

The transmission system operator still ensures the transit of gas towards its neighbours in the west in line with the transit contract, which is due to expire at the end of 2024. Currently no project from Ukraine is on the PECI/PMI lists.



Ukraine

Decarbonising the energy sector



GOVERNANCE / CLIMATE IMPLEMENTATION

22%

NATIONAL ENERGY AND CLIMATE PLANS

29%

Work on an updated draft National Energy and Climate Plan (NECP) is ongoing.

GREENHOUSE GAS 2030 TARGET

0%

Ukraine has not defined the 2030 climate target in its national legislation, nor in the draft NECP. It should align with the 2030 targets set by the Energy Community.

NATIONAL SYSTEMS FOR CLIMATE REPORTING

48%

There is a legal basis for a national inventory system. Ukraine has not nominated a lead reporter and no report was submitted on the national system on policies and measures and projections.

NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

0%

Reporting obligations have not been transposed in legislation. Ukraine has not nominated lead reporters for the Governance Regulation reporting activities, and no reporting activity was initiated.

LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

31%

The legal basis for a long-term strategy has not been adopted. Nonetheless, Ukraine has submitted a long-term strategy already in 2018, which does not contain a 2050 climate neutrality objective. Ukraine should revise and update the strategy.



2030 RENEWABLE ENERGY TARGETS 0%

The overall target of achieving a 27% share of renewable energy in the gross final energy consumption, in line with the 2030 target set by the Energy Community, has not yet been incorporated in the national legislation of Ukraine. The draft NECP is also pending. The National Economic Strategy of Ukraine sets a strategic goal of increasing the share of generation from renewable energy sources in total electricity production to 25% by 2030, while an implementation concept of state policy in the field of heat supply sets the target for renewable energy in the heating and cooling sector to 40% by 2035.

QUALITY OF SUPPORT SCHEME 50%

Support to renewable schemes continues to operate under an administratively determined feed-in tariff. The adoption of the so-called Green Transformation Law in July 2023 paves the way for market-based support through a feed-in-premium model.

SELF-CONSUMPTION AND ENERGY COMMUNITIES 75%

Ukraine continues to provide self-consumers with feed-in tariffs that are determined administratively. The Green Transformation Law provides the legal basis for a shift to net-billing mechanism, while the feed-in tariff will apply only for households until the end of 2029. The Law provides the legal basis for establishing renewable energy communities in accordance with Renewable Energy Directive (REDII) while the implementation is still pending.

GUARANTEES OF ORIGIN 50%

The Green Transformation Law also establishes a system of guarantees of origin (GOs). It designates NEURC as the issuing body for guarantees of origin from renewable electricity, and the State Agency on Energy Efficiency and Energy Saving (SAEE) as issuing body for GOs from renewable gases. Both institutions are currently exploring registry options and are in the process of drafting secondary legislation.

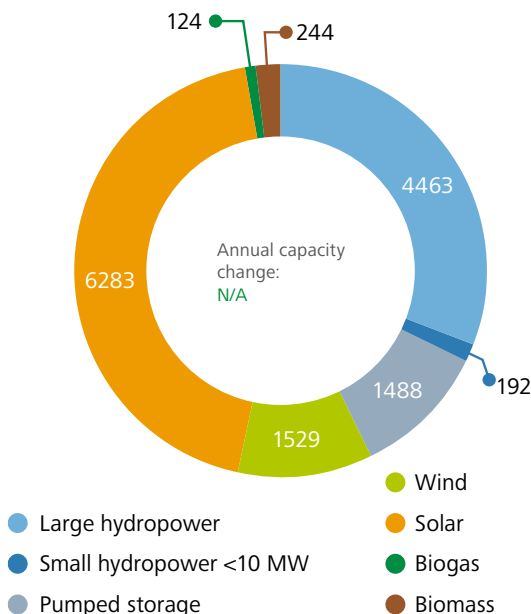
SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS 0%

Provisions related to sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids, and biomass fuels are still not transposed, and the legal framework remains completely non-compliant with REDII.

RENEWABLE ENERGY IN HEATING AND COOLING 45%

Ukraine is working on the development of the solid biofuel market, by establishing an electronic platform for biofuel trading. A program to support households and condominiums to install solar panels and heat pumps is under development, expected to be implemented in 2024. Transposition of Articles 23 and 24 of REDII, on the increase of renewable energy in the heating and cooling sector, including district heating, is needed.

Total Capacities of Renewable Energy 2021 (MW)



Total capacities of renewable energy (MW):

14305

Source: Ministry of Infrastructure and Energy

ENERGY EFFICIENCY IMPLEMENTATION

75%



2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

69%

In line with the Energy Efficiency Law, Ukraine's 2030 energy efficiency targets and National Energy Efficiency Action Plan (NEEAP) up to 2030 were adopted in December 2021. 3-year action plans for the implementation of the NEEAP is prepared in line with the current legislation. The adopted energy 2030 efficiency targets are aligned with the 2030 energy efficiency targets.

ENERGY EFFICIENCY IN BUILDINGS

90%

Ukraine adopted the majority of by-laws to implement the Energy Performance of Buildings Law, including a national plan to increase the number of near-zero energy buildings. Furthermore, the Parliament passed a law fostering a conducive environment to comprehensive thermal modernization of buildings in 2023.

The long-term building renovation strategy was drafted and published in 2022. Revisions will be necessary to factor in the building stock damaged by the Russian war against Ukraine and the increased climate ambitions.

ENERGY EFFICIENCY SCHEME AND FINANCING

64%

Adopted in 2021, the energy efficiency obligation scheme was never fully implemented and suffered from the lack of adoption of adequate procedures and creation of an adequate monitoring, control, and verification system. The Energy Efficiency Fund provides grants for renovation of multi-apartment buildings.

A Decarbonization and Energy Efficient Transformation Fund. was established in 2023. It will play a crucial role in financing a spectrum of energy efficiency programs and initiatives, with operations set to commence in 2024.

ENERGY EFFICIENT PRODUCTS – LABELLING

97%

All energy labelling regulations related to the Labelling Directive were adopted. Five new regulations completing the implementation of the Framework Labelling Regulation (EU) 2017/1369 were also adopted. Ukraine transposed the Eco-design Directive 2009/125/EC, as well as 28 product regulations on a voluntary basis.

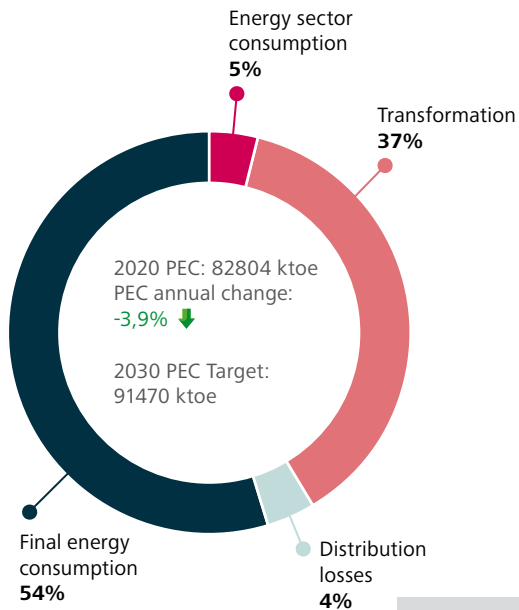
EFFICIENCY IN HEATING AND COOLING

56%

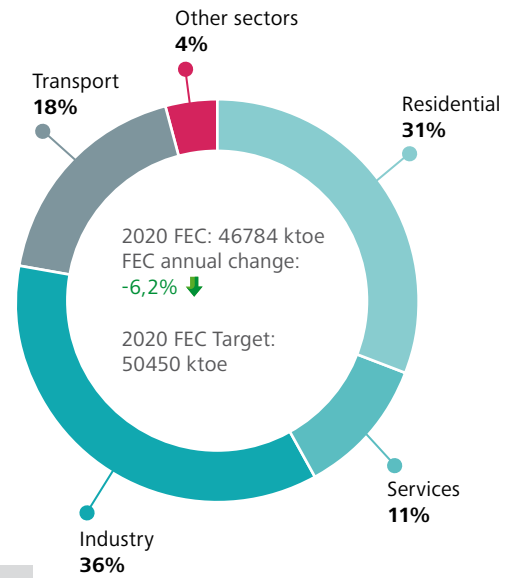
For the last two years, the focus in Ukraine has been on repairing damaged district heating infrastructure. Municipalities are also working on local heat supply schemes to provide sustainable and cost-effective heating solutions. In March 2023, Ukraine adopted amendments to the Law on Cogeneration and Waste Energy Potential, introducing qualified cogeneration installation and guarantees of origin of electricity produced by high-efficiency cogeneration plants.

2020 Energy Efficiency Indicators and Trends*

Primary Energy Consumption (PEC)



Final Energy Consumption (FEC)



Energy intensity,
2020 value and trends:
0,88 ktoe/mil EUR, +1,0% ↑

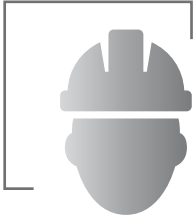
*Note: 2021 energy balance data were not available for Ukraine
Source: EUROSTAT 2023 data and 2022 Ministerial Council Decision

Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
●	●	●	●	●

● In place ● In progress ● Not in place

Source: compiled by the Energy Community Secretariat



Ukraine

Ensuring energy security



ELECTRICITY SECURITY OF SUPPLY

80%

Directive 2005/89/EC is partially transposed through the Electricity Market Law and secondary legislation. Security of Supply Statements for electricity have not been regularly submitted to the Secretariat. Security of supply risks at the moment in Ukraine are caused by the unavailability of a large number of power transformers, transmission lines, generators and distribution facilities due to continuous military aggression. Out of pre-war 56 GW of installed production capacities in Ukraine, almost half of the installed generating capacity was lost following massive attacks. Further restrictions in the electricity supply were caused by extensive damage of the grid.

A comprehensive legislative framework, consisting of the Cybersecurity Law, Cybersecurity Strategy, Cybersecurity Requirements Resolution, and Critical Infrastructure Resolution, has prepared the country to be steeled for cyber attacks as part of the Russian military aggression. The Ukrainian cybersecurity development strategy has proven its efficiency, as there were no fatal incidents caused by cyberattacks.



GAS SECURITY OF SUPPLY

65%

Ukraine has not transposed Regulation (EU) 2017/1938 in its entirety. However, it has a well-established regulatory framework for the security of gas supply, such as risk assessment and preventive and emergency action plans, which still need to be aligned to the gas acquis. Ukraine transposed the majority of the requirements from Regulation (EU) 2022/1032, fulfilled the obligations concerning the storage system operator and the trajectory levels of gas in the storages.

Storage and transmission system operators performed a storage stress-test, based on a set of selected scenarios aiming to identify whether the gas stored by foreign traders under warehouse custom regime could be evacuated to the owners in a crisis. Ukraine fulfilled the storage targets.



OIL SECURITY OF SUPPLY

13%

Ukraine currently has no legal framework on emergency oil stocks. In the reporting period progress was made by drafting a new law. The draft Law on Minimum Reserves of Oil and Petro-

leum Products defines the legal, organisational, and economic basis for creating and managing the minimum reserves of oil and petroleum products in Ukraine.



Ukraine

Improving the environment

ENVIRONMENTAL ASSESSMENTS **33%**

The Ministry of Environmental Protection and Natural Resources has documented over 2.400 cases of Russian military aggression with direct environmental consequences. The destruction of Ukraine's largest dam, Kakhovka, will have lasting environmental and health repercussions. It led to extensive flooding, submerging thousands of hectares of land, resulting in numerous casualties and displacing thousands of people. It disrupted access to clean drinking water and irrigation systems.

The implementation and scope of the resolution that excludes restoration projects of power plants from environmental impact assessment (EIA) obligations, introduced due to martial law following the Russian invasion of Ukraine, was extended to include new and existing transmission line projects. The existing legislation does not provide for exemptions on a case-by-case basis, which is an obligation of Article 1(3) of the EIA Directive for projects having defence as their sole purpose.

The Aarhus Convention Compliance Committee (ACCC) issued recommendations addressing the constraints on access to information and limited public involvement in the decision-making processes related to recovery projects and plans, and the EIA and Strategic Environmental Assessment (SEA) for such projects and plans. The concerns and recommendations presented by the ACCC pertain to the definition of recovery projects and plans, their scope, limitations, and the establishment of clear timeframes for post-hostility measures. The use of electronic tools to disseminate environmental information and enhance public consultations for recovery plans and programs remains a challenge.

LARGE COMBUSTION PLANTS **57%**

Ukraine complied with its reporting obligations under the Large Combustion Plants Directive by the timely submission of its emissions data. Implementation of the National Emission Reduction Plan continues to be a priority. The emission ceilings for all three pollutants were met in the 2022 reporting year, with a further, significant decrease of the emissions of each of them. This is related to the unavailability of several plants that came under attack, and uncertainties regarding the data of plants located in occupied territories.

Certain units have reached the end of their lifetime available under the opt-out rules. However, the implementation of those provisions cannot be expected under the current circumstances. The Ministerial Council of the Energy Community is expected to take a decision to address this situation still in the course of 2023.

SULPHUR IN FUELS **87%**

The legislative framework in Ukraine, including the provisions on marine fuels, is compliant with the Directive's requirements. With the military aggression still ongoing, systematic compliance monitoring of the fuels concerned remains impossible.

NATURE PROTECTION **67%**

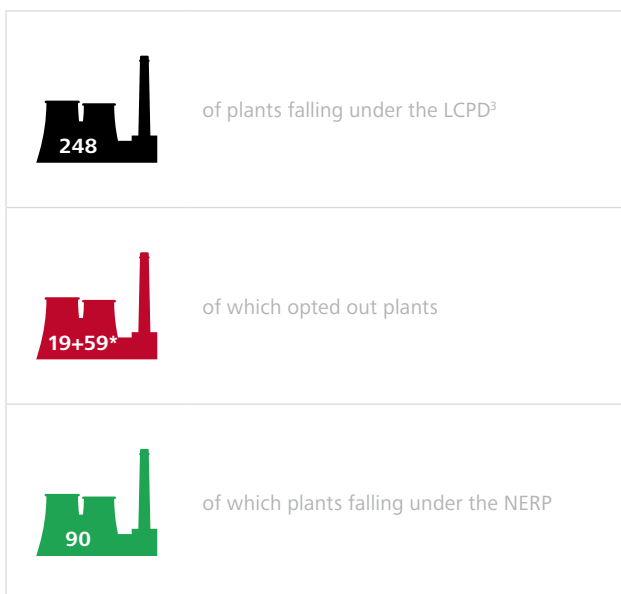
The Cabinet of Ministers of Ukraine has adopted a resolution outlining the establishment of protected areas dedicated to conserving the biodiversity of Ukraine, including the preservation of flora and fauna listed in the Red Book. This resolution also specifies the criteria for designating protected forest areas and includes regulations governing forestry and other economic activities within these regions. In addition, a series of presidential decrees have resulted in the creation of new protected areas, including the Kholodnyi Yar, Kuyalnytskyi, and Radzivil Forest National Nature Park.

Over 12.000 square kilometers of Ukraine's nature reserves have been transformed into war zones, resulting in significant losses for populations of rare endemic and migratory species. Birds have been compelled to abandon their nests and alter their traditional migration routes, causing extensive damage to the conservation efforts.

ENVIRONMENTAL LIABILITY **20%**

Administrative environmental liability is regulated by the Code of Ukraine on Administrative Offenses, which partially transposes the Directive's provisions. The current situation, however, impedes implementation in practice.

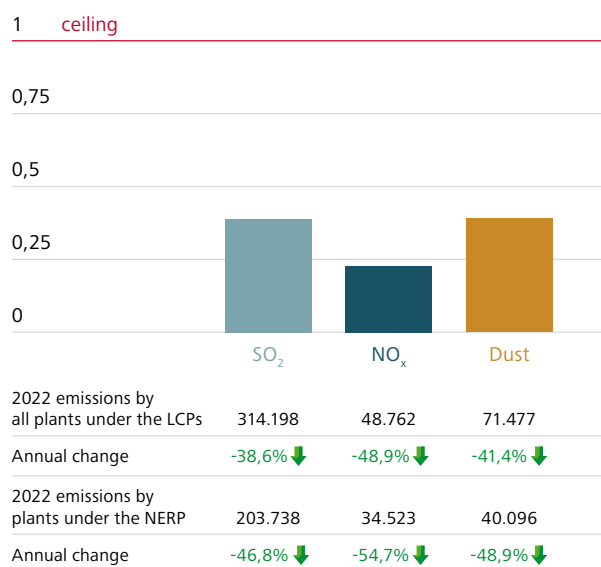
Installations under the Large Combustion Plants Directive



*Under Decision 2015/07/MC-EnC, certain plants in Ukraine are entitled to use 40.000 hours for opted out plants. 59 plants fall into that category.

Source: compiled by the Energy Community Secretariat

2022 emissions versus NERP ceilings



Amount of operational hours used from opt-out period²

Average of plants under Decision 2013/05/MC-EnC ³	Expected expiry of opt-out period:*	December 2023
	Remaining hours	9.986
	Operating hours consumed in 2018 - 2022	10.014
Average of plants under Decision 2015/07/MC-EnC ⁴	Expected expiry of opt-out period	December 2033
	Remaining hours	29.169
	Operating hours consumed in 2018 - 2022	10.830

*Calculations for the expected expiry of the opt-out period are based on 2018 - 2022 average load factor.

Source: compiled by the Energy Community Secretariat

2 Due to the large number of plants under the opt-out regime in Ukraine, an average for both opt-out regimes is being provided. The expected expiry of the opt-out is also provided based on this average. It varies on a plant-by-plant basis.

3 Under the regime of Decision 2013/05/MC-EnC, opted-out plants can remain in operation for a total of 20.000 operational hours until 31 December 2023.

4 Under the regime of Decision 2015/07/MC-EnC, which amended Decision 2013/05/MC-EnC to reflect the special situation of Ukraine, certain opted-out plants can remain in operation for a total of 40.000 operational hours until 31 December 2033. The list of plants was adopted by Decision 2016/19/MC-EnC.



Ukraine

Performance of authorities



REGULATORY AUTHORITY

82%

The National Energy and Utilities Regulatory Commission of Ukraine (NEURC) is set up as a 'central executive body', established by the Cabinet of Ministers since 2019. This model was introduced as a temporary solution but has developed into a permanent state, which can only be changed by amending the constitution or, under martial law, by providing explicit exemptions for NEURC as for other independent bodies. The independence of NEURC, including decision-making, financial autonomy and staffing must be sustained in view of new and upcoming legislative changes and regulatory tasks.

such as increasing household end-user prices, approving the methodology for wholesale price caps and revising these caps. NEURC also approved a set of regulations addressing the wartime conditions on energy markets including on consumer connection procedures, restoration of damaged energy infrastructure and reliability of supply. The regulator certified the gas storage system operator. After the adoption of the REMIT Law in June 2023, NEURC adopted a set of secondary legislation acts related to the registration of market participants, investigation and determining penalties for REMIT breaches.

Under the conditions of martial law, NEURC continued to contribute to the electricity market reforms, implementing steps



COMPETITION AUTHORITY

95%

In the reporting period, amendments to the Law on Protection of Competition and the Law on the Antimonopoly Committee of Ukraine (AMCU) were adopted, in particular by introducing the possibility of settlements and leniency applications, and redefining concentrations subject to merger control. In terms of investigations of anti-competitive conduct, the AMCU started

investigations for abuse of dominance in the gas sector related to pricing and discriminatory conduct. The AMCU should ensure that its investigations adequately address any potential abusive behaviour in order to guarantee a level playing field.



STATE AID AUTHORITY

45%

Following the Russian invasion of Ukraine, the Law on State Aid for Business Entities was amended, providing that during

the application of martial law, State aid is compatible and the obligation to notify State aid is suspended.



STATISTICAL AUTHORITY

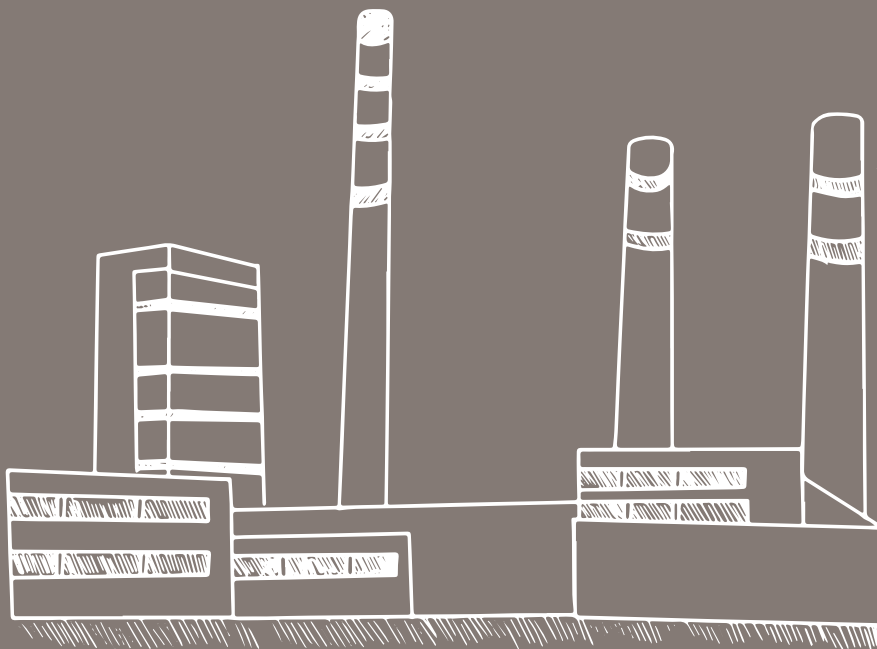
n.a.

Under martial law, natural persons, economic entities, institutions and public bodies are not obliged to report to the State Statistical Service of Ukraine (SSSU) from March 2022 until three

months after the abolition of martial law. Consequently, SSSU is not in a position to produce official statistics.

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Annexes








13 Energy Community acquis in force

Since 2006, the Energy Community acquis has significantly evolved to incorporate new directives and regulations. Presently, the acquis covers legislation on electricity, gas, oil, infrastructure, renewable energy, energy efficiency, competition and State aid, environment, statistics, climate and cybersecurity.

After the adoption of Clean Energy Package (2021 and 2022), the Energy Community body of law now amounts to 120 Decisions and 52 Procedural Acts adopted by the Ministerial Council and the Permanent High-Level Group, facilitating the transposition and implementation of 15 Directives and 52 Regulations.

The incorporation of Clean Energy Package underscores the Energy Community's dedication to harmonizing energy legislation and advancing towards a cleaner and more integrated energy market.

The tables below display the core Energy Community acquis communautaire presently in force⁵. The implementation deadlines have been set by the respective Ministerial Council decisions. Due to their later accession, some of the implementation deadlines differ for Moldova (2010), Ukraine (2011) and Georgia (2017).

 Acquis on Electricity
Directive (EU) 2019/944 on common rules for the internal market for electricity
Regulation (EU) 2019/943 on the internal market for electricity
Regulation (EU) 2019/942 of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators
Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation
Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management
Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing
Commission Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation
Commission Regulation (EU) 2017/2196 establishing a network code on electricity emergency and restoration
Regulation (EU) 2016/631 establishing a network code on requirements for grid connection of generators
Regulation (EU) 2016/1388 establishing a network code on demand connection
Regulation (EU) 2016/1447 establishing a network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules
Regulation (EU) 543/2013 on submission and publication of data in electricity markets
Regulation (EU) 838/2010 on laying down guidelines relating to the inter-transmission system operator compensation mechanism and a common regulatory approach to transmission charging
Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency
Directive 2009/72/EC concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC

⁵ Available on the Energy Community website: <https://www.energy-community.org/legal/acquis.html>.



Acquis on Gas

Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC

Regulation (EC) 715/2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) 1775/2005

Regulation (EU) 2015/703 establishing a network code on interoperability and data exchange rules

Commission Regulation (EU) 2017/459 establishing a network code on capacity allocation mechanisms in gas transmission systems

Commission Regulation (EU) 2017/460 establishing a network code on harmonized transmission tariff structures for gas

Regulation (EU) 312/2014 establishing a network code on gas balancing of transmission networks

Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency



Acquis on Security of Supply

Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply

Regulation (EU) 2019/941 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC



Acquis on Governance and Climate Action

Regulation (EU) 2018/1999 on the governance of the energy union and climate action

Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union

Commission Regulation (EU) 2020/1044 supplementing Regulation (EU) 2018/1999 with regard to values for global warming potentials and the inventory guidelines and with regard to the Union inventory system

Commission Implementing Regulation (EU) 2018/2066 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC

Commission Implementing Regulation (EU) 2018/2067 on the verification of data and on the accreditation of verifiers pursuant to Directive 2003/87/EC

Commission Implementing Regulation (EU) 2020/1208 on structure, format, submission processes and review of information reported by Member States pursuant to Regulation (EU) 2018/1999



Acquis on Environment

Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment, as amended by Directive 2014/52/EU

Directive (EU) 2016/802 relating to a reduction in the sulphur content of certain liquid fuels

Commission Implementing Decision (EU) 2015/253 laying down the rules concerning the sampling and reporting under Council Directive 1999/32/EC as regards the sulphur content of marine fuels

Directive 2001/80/EC on the limitation of emissions of certain pollutants into the air from large combustion plants

Chapter III, Annex V and Articles 72(3)-(4) of Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control)

Article 4(2) of Directive 79/409/EEC on the conservation of wild birds

Directive 2004/35/EC on environmental liability with regard to the prevention and remedying of environmental damage, as amended by Directive 2006/21/EC, Directive 2003/31/EC and Directive 2013/30/EU

Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment



Acquis on Renewable Energy

Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources



Acquis on Energy Efficiency

Directive 2012/27/EU on energy efficiency as amended by Directive (EU) 2018/2002

Directive 2010/31/EU on the energy performance of buildings as amended by Governance Regulation (EU) 2018/1999

Regulation (EU) 2017/1369 setting a framework for energy labelling⁶



Acquis on Infrastructure

Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure



Acquis on Oil

Council Directive 2009/119/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products



Acquis on Statistics

Regulation (EC) 1099/2008 on energy statistics

Regulation (EU) 2016/1952 on European statistics on natural gas and electricity prices and repealing Directive 2008/92/EC

Implementing Regulation (EU) 2019/803 concerning the technical requirements regarding the content of quality reports on European statistics on natural gas and electricity prices pursuant to Regulation (EU) 2016/1952



Acquis on Competition

The acquis on competition (Articles 18 and 19 of the Energy Community Treaty) rests on three pillars:

1. The prohibition of anticompetitive agreements established by Article 101 of the Treaty on the Functioning of the European Union (TFEU);
2. The prohibition of abuse of a dominant position provided for in Article 102 of the TFEU; and
3. The prohibition of State aid granted in violation of Article 107 of the TFEU.



Cybersecurity

Procedural Act 2018/02/MC-EnC on the establishment of an Energy Community Coordination Group for Cybersecurity and Critical Infrastructure

⁶ For the delegated labelling regulations, resort to: Secretariat, Energy Community Legal Framework, fifth edition, volume https://www.energy-community.org/dam/jcr:dcaaf830-5df8-438d-b4d4-9d3de5bdfa4e/EnCLF5.0_VOLUMEV.pdf



14 Report on enforcement and dispute resolution activities

OCTOBER 2022 – OCTOBER 2023

Based on Article 67(b) of the Treaty establishing the Energy Community, the Secretariat reviews the proper implementation by the Parties of their obligations under the Treaty and initiates dispute settlement procedures when needed (Article 90 of the Treaty). The Secretariat reports annually on implementation and, in accordance with Article 2(5) of the Energy Community Dispute Settlement Rules as amended in 2015 (Dispute Settlement Rules), submits to the Ministerial Council an annual report on the application and interpretation of Energy Community law by national authorities of the Contracting Parties within the framework of cooperation between the Secretariat and the national authorities of the Contracting Parties. Finally, the Secretariat's Procedural Act on the Establishment of a Dispute Resolution and Negotiation Centre (the "Centre"), together with Article 19(2) of the Dispute Settlement Rules require the Centre to draft a report on the results of the negotiations and the closure of the cases for submission to the Ministerial Council.

The present report covers these three sets of dispute resolution activities with the involvement of the Secretariat and is divided in three parts: activities based on Articles 90 et seq. of the Treaty related to dispute settlement cases (Part I), activities based on Article 2 of the Dispute Settlement Rules related to cooperation with national authorities (Part II) and activities of the Dispute Resolution and Negotiation Centre (Part III).

PART I: Dispute settlement cases

The Energy Community Treaty provides for a dispute settlement procedure, which is meant to ensure the enforcement of the commitments under the Treaty. A preliminary procedure precedes the submission of a case of non-compliance to the Ministerial Council under Article 91 of the Treaty. It may be initiated by the Secretariat by way of an Opening Letter to be followed, as the case may be, by a Reasoned Opinion and Reasoned Request to the Ministerial Council. The procedure is closed upon compliance by the Party concerned with its obligations under the Treaty at any time of the preliminary procedure or with a decision of the Ministerial Council. If a breach identified by the Ministerial Council has not been rectified, a procedure for a decision under Article 92 of the Treaty may be initiated. If a Party to the Treaty persistently fails to comply with its obligations, the Ministerial Council may suspend certain rights derived from the application of the Treaty, including voting rights and right to participate in meetings or mechanisms provided for in the Treaty.

By the time of drafting the present report, 18 cases are open in preliminary procedure under Article 91 of the Treaty, of which seven have been referred to the Ministerial Council by way of Reasoned Requests under Article 91 of the Treaty. No case has

been referred to the Ministerial Council under Article 92 of the Treaty in this reporting period.

The state of implementation for each Contracting Party contains information about the open dispute settlement cases. In addition, for each Contracting Party the report includes information on dispute settlement cases presented in boxes: under Article 91 in cases where the procedure has been closed with the adoption of a Ministerial Council decision, but the breach has not been rectified yet and under Article 92 where the breaches are not rectified despite adoption of Ministerial Council decisions establishing a serious and persistent breach or imposing measures under Article 92 of the Treaty.

Cases in which the Ministerial Council has adopted a decision under Article 91 and have been followed up by opening a procedure under Article 92 of the Treaty, are reflected only in the boxes related to Article 92.

Reasoned Requests submitted to the Ministerial Council for a Decision under Article 91 of the Treaty

On 13 July 2023, the Secretariat submitted three Reasoned Requests to the Ministerial Council under Article 91 of the Treaty based on Article 11(3) of the Dispute Settlement Rules for non-transposition of *acquis communautaire*. Those cases address the lack of transposition of Environmental Liability Directive 2004/35/EC in Cases ECS-10/23 against Bosnia and Herzegovina, ECS-11/23 against Kosovo* and ECS-13/23 against Moldova. In addition, Reasoned Requests in Cases ECS-7/21 against North Macedonia, ECS-8/21 against Kosovo* and ECS-9/21 against Bosnia and Herzegovina related to the non-compliance with the emission ceilings established under the National Emission Reduction Plans (NERPs), as well as in Case ECS-15/21 against Montenegro for non-compliance with the rules of the Large Combustion Plants Directive on limited lifetime derogation of TPP Pljevlja have been submitted to the Ministerial Council pursuant to Article 90 of the Energy Community Treaty, in line with Article 29 of the Dispute Settlement Rules.

Cases where breaches have been established by the Ministerial Council Decision (Article 91 of the Treaty) which have been subsequently rectified by the Party in question

Out of 34 cases in which the Ministerial Council adopted a decision establishing a breach under Article 91 of the Treaty, 18 cases have been complied with by the Contracting Parties concerned. Only one of those breaches has been rectified during

the reporting period, whereas compliance with the others has been achieved earlier. Namely, with the entry into force on 2 July 2023 of the Law on Amendments to some laws of Ukraine regarding the prevention of abuse in the wholesale energy markets, the REMIT Regulation has been transposed, and Ukraine ensured compliance with the Ministerial Council decision in Case ECS-4/21.

Cases where breaches have been established by the Ministerial Council Decision (Article 91 of the Treaty) which have not been subsequently rectified by the Party in question

The two cases in which the 2022 Ministerial Council adopted decisions establishing breaches under Article 91 of the Treaty have not been complied with by the Contracting Parties concerned. These are Cases ECS-5/17 against Bosnia and Herzegovina related to lack of unbundling of the distribution system operator and ECS-5/22 against Kosovo* for non-transposition of Environmental Impact Assessment Directive. The third case that has also been referred to the Ministerial Council for decision in 2022, Case ECS-4/22 against North Macedonia concerning the lack of transposition of the REMIT Regulation, has been closed in a preliminary procedure after Parliament adopted amendments to the Energy Law and North Macedonia rectified the breach.

In addition to those cases, the Contracting Parties concerned have not complied with 14 decisions by the Ministerial Council establishing breaches under Article 91 of the Treaty adopted at earlier meetings. In six of those cases, procedures under Article 92 of the Treaty have been initiated. This concerns cases in which Bosnia and Herzegovina and Serbia have not complied with a number of Ministerial Council decisions adopted under Article 92 of the Treaty already. Those are Cases ECS-9/13 S and ECS-10/17 S against Serbia for unbundling of natural gas transmission systems operators, as well as Case ECS-13/17 S for the failure to ensure third party access to the Horgoš interconnection point between Serbia and Hungary. Bosnia and Herzegovina has not ensured compliance in Case ECS-8/11 S concerning the lack of implementing the Second Energy Package in gas, the lack of transposition of the Third Energy Package in Case ECS-6/16 S and the lack of implementation of Sulphur in Fuels Directive in Case ECS-2/13 S. Due to progress, the Secretariat did not continue the procedure under Article 92 of the Treaty. Namely, in July 2023, amendments to the Energy Law were adopted in Serbia, the implementation of which is expected to rectify the breaches related to unbundling of transmission system operators. Moreover, in August 2023 the Federation of Bosnia and Herzegovina adopted a new Electricity Law, so that both entities of this Contracting Party now have legislation compliant with the Third Energy Package related to electricity.

Open preliminary procedures in 2022

Currently, there are 18 cases subject to a preliminary procedure. As explained above, seven of those cases have been referred to the Ministerial Council by way of Reasoned Requests under Article 91 of the Treaty. In addition to the three cases for non-transposition of the Environmental Liability Directive

which have been referred to the Ministerial Council without a preliminary procedure, another new case has been opened after last year's Implementation Report: Case ECS-1/23 against Georgia concerning the failure to unbundle and certify the gas and electricity transmission system operators.

Reporting on open cases in 2023 Implementation Report/Contracting Party chapters

On the first page of each Contracting Party chapter, the report displays open cases under both Article 91 and Article 92 of the Treaty, as well as cases where the procedure under Article 91 of the Treaty has been closed with adoption of a Ministerial Council decision, but the breach has not been rectified yet. Cases in which the Ministerial Council has adopted a decision under Article 91 and have been followed up by opening a procedure under Article 92 of the Treaty, are reflected only in the boxes related to Article 92.

It also includes cases where the breaches are not rectified despite adoption of Ministerial Council decisions establishing serious and persistent breach or imposing measures under Article 92 of the Treaty.

PART II: Report on cooperation with national authorities under Article 2 DSR

Article 2 of Dispute Settlement Rules provides for a cooperation mechanism between national authorities and the Secretariat by which national authorities can ask the Secretariat for assistance regarding questions of interpretation or application of Energy Community law. In the past reporting period, this mechanism has been used once.

In Bosnia and Herzegovina, the Secretariat was consulted by the State aid authority regarding the calculation of the value of State aid in case of State guarantees. In particular, the State aid authority inquired about the level of the unpaid market premium constituting the illegally conferred economic advantage which must be recovered.

Part III: Activities of the Energy Community Secretariat's Dispute Resolution and Negotiation Centre

The Energy Community Secretariat's Dispute Resolution and Negotiation Centre has continued to be involved in the settlement of disputes in the Contracting Parties, thus increasing regulatory stability for the benefit of consumers, governments and investors alike. Considering the general instability on the energy markets throughout the region, most of the instances in which the Dispute Resolution and Negotiation Centre provided support remained at an informal level.

Dispute 12/2022 concerned three hydropower projects built on the Deçan river and the impacts resulting from their construction and operation. After a series of meetings between

the mediators, the Ministry of Environment, Spatial Planning and Infrastructure of Kosovo and KelKos Energy sh.p.k., Dispute 12/2022 was closed upon request of the latter.

Throughout 2023, the focus of the Secretariat's Dispute Resolution and Negotiation Centre was to support Ukrainian energy companies for the preparation of legal claims against the Russian Federation for its intentional destruction of Ukraine's energy infrastructure and generation facilities. To this end, it entered into memoranda of understanding with the biggest Ukrainian public energy companies, which have incurred significant amounts of damages: Ukrenergo (the Ukrainian electricity transmission system operator), Energoatom (the Ukrainian nuclear energy company) and Ukrhydroenergo (the Ukrainian hydropower generating company). This resulted in the establishment of the Ukraine Legal Support Platform, on which law firms and qualified independent practitioners can join the effort to recover the damages inflicted upon Ukraine's critical energy infrastructure by dedicating any number of pro bono hours for various projects. Until October 2023, 61 law firms and independent experts had joined the platform. The first requests for individual offers for services have been sent to the platform, and Ukrainian energy companies are in the process of selecting the legal service providers. In the coming months, under the coordination of the Centre, claims for establishing the accountability of the Russian Federation for destruction of Ukraine's critical energy infrastructure and recovering damages will be filed before national and international courts and tribunals.



15 Report on national measures to tackle the impacts of the energy price surge

Background

The picking up of global energy demand due to increased economic activity necessary for the economic recovery from the COVID-19 pandemic, combined with the direct and indirect consequences of the military aggression of Russia against Ukraine, has resulted in a surge in energy commodity prices. The Contracting Parties have taken measures to tackle the impact of the energy price surge in the beginning of 2022.

Based on a checklist that the Secretariat shared with the Contracting Parties on 21 July 2022, it has assessed the measures adopted for compliance with the Energy Community acquis on public service obligations (PSO) and State aid. The findings and the recommendations of the Secretariat have been presented to the PHLG on 28 September 2022.

At its meeting on 15 December 2022, the Ministerial Council invited the Contracting Parties to align with the measures taken by the European Union to mitigate the exposure to high energy prices to the extent applicable to their economies. The Ministerial Council also invited the Secretariat to assist the Contracting Parties as well as to continue monitoring compliance of national measures with the acquis and to bring concerns to the attention of the Ministerial Council. The present report is prepared with that objective.

The Secretariat was also invited by the Ministerial Council to assist Contracting Parties wishing to negotiate with EU Member States bilateral agreements on the sharing of surplus revenues in the spirit of solidarity and Article 11 of Council Regulation (EU) 2022/11854 of 6 October 2022 on an Emergency Intervention to Address High Energy Prices. The only request was received by North Macedonia, which aimed at negotiating a bilateral contract for supply of electricity with Bulgaria, a contract that could have been concluded between the Bulgarian generators and importers from North Macedonia. However, the negotiations failed because the Bulgarian market model does not allow sale of electricity in bilateral contracts, and it imposes an obligation on all generators to sell electricity via the power exchange IBEX.

Energy emergency situation and national measures

Albania, Kosovo*, North Macedonia and Moldova declared the emergency state for the energy sectors. In Albania and Moldova those are still in place until December 2023.

Most of the measures adopted by the Contracting Parties to address the impact of the energy crisis have been phased out. Nonetheless, a few measures that are still in force raise concerns about compliance with the Energy Community acquis, namely:

- the measures for purchasing electricity for covering network losses in a non-market-based procedure in Albania for a not specified period of time fails to comply with the Directive 2009/72/EC requiring that the network operators have to purchase electricity for covering losses in a market-based procedure;
- the so-called equity fee in Moldova imposed on all customers that would like to exercise their eligibility right, representing a switching fee prohibited by the Directive 2009/73/EC;
- the provisions in the Energy Law of Montenegro allowing the Government to adopt retroactive PSOs and the lack of criteria establishing “*extreme electricity price increases on the market*”.

The Secretariat has communicated its assessment with the authorities of the Contracting Parties in question and has proposed steps to ensure compliance with the acquis. Amending the legislative framework to ensure transposition of the Electricity Integration Package would be an opportunity to repeal these measures.

Finally, the Secretariat has assessed also various measures taken during martial law in Ukraine and has published the relevant assessments under the Ukraine Energy Market Observatory.



16 Annual Report

Annual Report on the Activities of the Energy Community 2022-2023

The Annual Report on the activities of the Energy Community outlines key actions and achievements in the period from 1 November 2022 to 31 October 2023 following the requirements of Article 52 of the Energy Community Treaty.

Extending the EU electricity to the Energy Community

With the adoption of the Electricity Integration Package by the Ministerial Council of the Energy Community in December 2022, the integration of Contracting Parties into the EU's internal electricity market was made possible. The package comprises nine legal acts that Contracting Parties must transpose by the end of 2023. Implementing these measures requires increased cooperation between EU Member States and Energy Community Contracting Parties, including collaboration among their energy sector stakeholders. To support this process, the Secretariat has assisted and facilitated the transposition of the Electricity Integration Package by drafting template clauses and reviewing several draft legislative acts submitted by the Contracting Parties throughout 2023. In addition to assisting and monitoring the Contracting Parties in their efforts to complete the transposition, the Secretariat has strengthened cooperation with various EU institutions, such as the European Commission, ACER, ENTSO-E, and the NEMO Committee, to further facilitate market integration. Furthermore, it has actively participated in EU coordination groups like the Pentilateral Coordination Group (PCG).

Regarding the implementation of the CACM Regulation and the extension of the EU market coupling to the Energy Community, the Energy Community Secretariat, in collaboration with EU national regulatory authorities, has assumed the chairmanship of a newly established joint expert team for the Energy Community within the PCG. This initiative has created a platform for discussions related to the integration of Energy Community Contracting Parties into the single day-ahead and intraday coupling (SDAC and SIDC) mechanisms. The primary responsibility of this expert team is to coordinate the development of a plan that outlines a timeline and provides a detailed description of how the Contracting Parties' NEMOs will be integrated into the Market Coupling Operator (MCO) functions. This plan, known as the MCO integration plan, is anticipated to be submitted by 15 December 2023, in accordance with the deadline specified by the CACM Regulation. The successful execution of this plan will pave the way for the integration of the Contracting Parties' short-term electricity markets into the EU's internal electricity market.

Furthermore, the Secretariat has actively contributed to the capacity building of the Energy Community Contracting Parties by organizing various webinars and workshops. These events have been instrumental in introducing the key elements of the Electricity Integration Package, with a special emphasis on critical aspects such as the single day-ahead and intraday coupling, electricity balancing, and regional transmission system operator cooperation. The primary goal of these efforts has been to foster collaboration among stakeholders from both EU Member States and Contracting Parties, as this collaboration is essential for the successful implementation of the Electricity Integration Package. In this context, the Secretariat also continued its annual Athens Forum, featuring panel discussions focused on the integration of Contracting Parties into the EU's internal electricity market. Additionally, for the benefit of all interested parties, the Energy Community Secretariat has established a new section on its website. This information is designed to facilitate a better understanding of the package and its implementation process.

The further integration of European electricity markets must be accompanied by an increase in cross-border capacity. This is a key point highlighted in the adopted Electricity Regulation, which mandates transmission system operators to ensure a minimum amount of cross-zonal capacity is available to market participants (referred to as the '70% target'). In 2023, the Secretariat conducted a study to assess the current and future levels of cross-zonal capacities and to identify necessary actions to meet this requirement within the Contracting Parties. An essential aspect of fulfilling this requirement involves transmission system operators enhancing regional cooperation by operationalizing capacity calculation regions and coordinating capacity calculation methodologies. The Secretariat has continued to emphasize and facilitate these efforts throughout the past year.



Photo: Athens Electricity Forum



Photo: Athens Electricity Forum

Reflecting on the carbon pricing system

The Secretariat further advanced work on the operationalization of the adopted Decarbonization Roadmap, with the focus on the Regulation on Carbon Border Adjustment Mechanism (CBAM), through the organization of the Informal Ministerial Council in June and the subsequently mandated technical meetings on carbon pricing.

Following an invitation from the Ministerial Council in 2022, the Secretariat established a Technical Working Group dedicated to carbon pricing. This group convened three times for two-day events in 2023, held in Vienna and Brussels, with the aim of discussing the role, function, and design of the ETS as well as examining planned and existing national policies related to carbon pricing in the Contracting Parties and their links to CBAM.

Furthermore, the Secretariat conducted a series of country missions across different Contracting Parties to highlight both the risks and opportunities associated with CBAM. The extensive engagement in this topic is driven by the mandate to preserve the energy integrity of the Energy Community and enhance the integration process with the EU.

Contracting Parties were invited as observers to the annual EU ETS Compliance Conference in November 2023, marking a significant step towards closer cooperation between the Union and the Energy Community in the areas of climate policy and carbon pricing.

The transposition of the Monitoring Reporting Verification and Accreditation (MRVA) package – adopted at the 2022 Ministerial Council representing a no-regret option for the introduction of any carbon pricing system – started in 2023, albeit at a substantially different pace in various Contracting Parties. The Secretariat has been actively involved in monitoring the status of transposition and identifying the challenges faced by Contracting Parties through meetings of its dedicated Technical Working Group.

Monitoring CBAM Preparedness

The adoption of the EU CBAM Regulation in May 2023 represents a major policy instrument affecting the development of climate, energy, and economic policies in Contracting Parties. To address this, the Secretariat organized a high-level event in Brussels on 23 May 2023, bringing together EU policymakers, stakeholders, and academia to share their perspectives and discuss the potential impacts of CBAM. They also explored possible steps that Contracting Parties could take to mitigate these impacts.

It's important to note that CBAM is explicitly linked to the progress in electricity market integration (market coupling) between Contracting Parties and EU Member States. To closely monitor the developments in the electricity and climate areas, the Secretariat published its first CBAM-Readiness Tracker in June 2023, taking stock of Contracting Parties' advancement in the areas of electricity market integration, green transition and the overall criteria for an exemption in electricity from CBAM.

Furthermore, the Secretariat participated as an observer in the work of the CBAM informal expert group set up by the European Commission's Directorate-General for Taxation and Customs Union. The link between CBAM and carbon pricing was highlighted throughout the discussions in the Energy Community on carbon pricing and at the Informal Ministerial Council.



Photo: Fit for CBAM event, organized in Brussels



Photo: Fit for CBAM event, organized in Brussels

Powering Ukraine's resilience: supporting energy access and recovery

During the reporting period, the Energy Community Secretariat remained steadfast in its support for the Ukrainian people in the face of the challenging circumstances brought about by Russian attacks.

The ongoing conflict has resulted in widespread suffering, affecting hundreds of thousands of families and businesses, leaving them without access to essential energy services such as electricity, heating, hot water, and hot food. An ongoing and pressing requirement persists for energy equipment, spare parts, and fuels to facilitate the repair and maintenance of the damaged energy infrastructure and to restore energy supply to the affected areas.

Our efforts encompass emergency actions related to war and measures focused on the post-war rebuilding process.

PART I: Emergency actions related to war

Ukraine Energy Support Fund - UESF

In agreement with the European Commission and the Ministry of Energy of Ukraine, the Ukraine Energy Support Fund was established to counteract the impact of the Russian attacks targeting critical energy infrastructure. The Fund provides a platform for governments, international financial institutions, international organizations, and corporate donors to offer financial assistance to the Ukrainian energy sector's endeavors to repair the damage and sustain its operations. Contributions to the Fund are allocated towards addressing the most immediate needs of Ukrainian energy companies, including equipment, spare parts, technical resources, fuels, and services essential for the restoration and maintenance of energy and heat supply in Ukraine.

Established shortly after the full-scale invasion of Ukraine by Russia, the Fund swiftly became operational during the reporting period. Substantial contributions were mobilized and effectively deployed to provide support on the ground in Ukraine. To date, pledges amounting to up to EUR 270 million have been made to the Fund, with EUR 200 million already transferred to the Special Purpose Account. Procurements valued at EUR 92 million have been executed to benefit Ukrainian energy companies, and additional procurements exceeding EUR 70 million in total value are presently in progress. Additionally, discussions and negotiations for further contributions to the Fund are currently underway and are slated for implementation in the near future.



Photo: equipment provided to Ukraine by UESF

Ukraine Support Task Force – USTF

In response to the Ministry of Energy of Ukraine's request for assistance in coordinating equipment offers and deliveries from multiple partners, which was made just days after the invasion began against Ukraine, Energy Community's biggest Contracting Party, the Secretariat took swift action by establishing the Ukraine Support Task Force (USTF).

With the support of the European Commission, specifically DG ENER, ECHO, and NEAR, a rapid and efficient system was developed, building upon the existing Union Civil Protection Mechanism. This system was put in place to facilitate the transportation of equipment offered by private companies. The specialized equipment delivered to Ukraine addresses the pressing needs of the country's energy infrastructure operator companies, aiding in the restoration of essential services and contributing to the broader rebuilding efforts.

For the reporting period, the USTF, in collaboration with the European industry, and the European Commission, assisted 74 deliveries, totalling to 4.300 tons of equipment and liquids delivered to Ukraine. In total, as of 1 November 2023, the USTF assisted 100 deliveries, representing ca. 5.000 tons of equipment and liquids. These shipments included high-voltage equipment for electricity transmission and distribution system operators, specialty vehicles, IT and communication equipment, tools, pipes, valves, and various other items. These resources are essential for conducting urgent repairs on the damaged energy infrastructure, ultimately enhancing the security of energy supply for Ukrainian households and the economy.

This international coordination effort involves collaboration at the state, EU, and supra-national levels, working closely with the ministries and authorities of Ukraine. This initiative is also aligned with the Secretariat's other Ukraine support activities, ensuring a comprehensive and effective approach to addressing the energy sector's challenges in Ukraine.



Photo: equipment delivered to Ukraine by USTF support

Pro Bono legal assistance

Through the Pro Bono legal support platform, launched in July 2023, the Secretariat mobilized the international legal community to join the effort in holding the Russian Federation account-

able for the destruction of critical energy infrastructure and in recovering damages. The Pro Bono legal support platform has attracted reputable law firms willing to dedicate pro bono hours on specific legal tasks to support claims of the state-owned energy companies Energoatom, Ukrenergo and Ukrhydroenergo. The legal services will be provided on or in relation to energy-related claims against Russia to be filed in national courts based on universal jurisdiction, in front of arbitration tribunals constituted under the bilateral investment treaty between Ukraine and the Russian Federation, and in Ukrainian courts.

PART II: Measures focused on the post-war rebuilding process

Ukraine Energy Market Observatory

In January 2023, the Energy Community Secretariat established the Ukraine Energy Market Observatory. This observatory was created to streamline and consolidate its monitoring functions under the Energy Community Treaty. This proactive approach was designed to foster greater transparency, ensure compliance with energy market regulations, and ultimately contribute to the enhancement of the overall energy market environment in Ukraine. It covers various aspects, including those outlined in the Clean Energy Partnership, which serves as an important framework for Ukraine's collaboration with the G7+ countries to foster trust and attract private investors.

The Ukraine Energy Market Observatory tracked and assessed key reform measures and developments related to the energy market(s) and corporate governance in Ukraine. This included a focus on areas such as the implementation of the Clean Energy Package, the transposition and execution of REMIT Regulation, legislative amendments aimed at harmonizing rules for cross-border capacity allocation, compliance with the acquis on oil stocks, legislative and regulatory considerations regarding gas storage by non-Ukrainian operators, the status of certification and unbundling of transmission system operators in the electricity sector, and the independence and governance of the national regulatory authority.

During this period, the Secretariat published a total of eighteen assessments. Additionally, it issued two quarterly reports summarizing the main reform developments, the Secretariat's compliance assessments, and recommendations for improvement. These findings and assessments were made available to a wide audience, including both domestic and international stakeholders. Furthermore, the Secretariat actively communicated these findings to the relevant officials, urging them to take prompt actions on critical issues.

High-level Advisory Group on the Ukrainian NECP

Building on the Memorandum of Understanding signed between the Ukrainian Government and the Secretariat on 14 March 2023, the Secretariat has been actively involved in providing essential support for the development of the National Energy and Climate Plan (NECP). This support aligns with the obligations outlined in the Energy Community Treaty and involves coordinating with international donors to ensure a collaborative effort in this endeavour.

In this light, building on the commitment to develop a Clean Energy Partnership to support the sustainable recovery and reconstruction of Ukraine, endorsed at the Ukraine Recovery Conference held in London on 21 - 22 June 2023, the Government of Ukraine, the Energy Community Secretariat, G7+ members and international partners held the first meeting of the High-Level Advisory Group co-chaired by first Deputy Prime Minister Yulia Svyrydenko and Michał Kurtyka, former Minister of Climate, Energy and Environment of the Republic of Poland. Following meetings of the group are scheduled for 8 September, 6 November, 5 December, at COP28 and shall continue through 2024 assisted by the Energy Community Secretariat.

The role of the High-Level Advisory Group is to provide strategic advice to the NECP preparation and consultation process via a regular assistance and high-level recommendations to the Ukrainian authorities and navigating the necessary work and efforts at the technical level.



Photo: High Level Advisory Group, Ukraine Recovery Conference, London

Towards energy security and green transition

On 16 October, at the Berlin Process Leaders' Summit in Tirana, Artur Lorkowski, the Director of the Energy Community Secretariat, presented a comprehensive report on the implementation of the Declaration on Energy Security and Green Transition in the Western Balkans, signed by the Western Balkans' leaders on 3 November 2022. The report highlights the region's journey towards sustainable energy policies and a greener future and acknowledges the progress made. It also highlights the challenges that persist in the Western Balkans, including energy sector vulnerabilities, governance issues, and the imperative need for reforms.



Photo: Berlin Process Leaders' Summit

During the reporting period, the Secretariat played a crucial role in assisting Contracting Parties with the incorporation of the Security of Gas Supply Regulation and the implementation of targets specified in the Storage Regulation. The Secretariat actively encouraged efforts to promote the opening up and diversification of gas supply sources, with notable focus on countries such as Moldova, Ukraine, and North Macedonia. These efforts involved regulatory changes and fostering regional and cross-border cooperation.

Specifically, the Secretariat devoted significant resources to reduce the risk associated with gas storage in Ukraine and enhance its utilization by foreign operators. This initiative resulted in achieving higher storage targets than initially anticipated.

Furthermore, a top priority for the Energy Community during this period was the implementation of the Memorandum of Understanding between the European Union and Ukraine. This agreement aimed to leverage Ukraine's potential in the field of bio-methane and potentially hydrogen, emphasizing the significance of Ukraine's business in these areas. These efforts underscored the commitment to enhancing energy security and sustainability within the Energy Community.

In addition, the Secretariat provided support to Contracting Parties in fully harnessing the benefits of the EU initiative for joint gas procurement. This initiative saw the participation of major countries with gas markets, including Serbia, Ukraine, and Moldova. The Secretariat's assistance aimed to ensure that these countries could maximize the advantages offered by this collaborative effort in the procurement of gas, contributing to enhanced efficiency and cooperation within the region's energy markets.

The development and adoption of integrated NECPs is the cornerstone of pursuing energy security during the transformation into a low-carbon economy. Contracting Parties had to submit their draft NECPs to Secretariat by 30 June 2023 for the latter's assessment and recommendations. Bosnia and Herzegovina, Georgia, Kosovo* and Serbia submitted their draft NECPs by the end of the summer 2023, while others were still in the process of finalizing their drafts. The Secretariat published its recommendations on the draft NECPs submitted in 2023 by the end of the year.



Screenshot from a video developed by the Secretariat explaining NECP's, published on social media channels.

To enhance its support for Contracting Parties in addressing energy poverty, the Energy Community Secretariat took significant steps in December 2022 by establishing the Energy Poverty Coordination Group. This group organized regular meetings throughout the year, fostering collaboration and knowledge-sharing. Simultaneously, the Secretariat continued its efforts through the Centre for Alleviating Energy Poverty. One notable initiative was the organization of a workshop in May focused on assessing energy poverty at the local level. Subsequently, the Secretariat released a comprehensive report on the protection of vulnerable households in the Western Balkans amid rising energy prices and the EU Energy Support Package. This report provided a thorough analysis of the policies and measures implemented by Western Balkan Contracting Parties to support vulnerable and energy-poor households during the energy crisis. These efforts underscore the Secretariat's commitment to addressing energy poverty and promoting the well-being of vulnerable communities within the Energy Community.

Under the Gender Equality Initiative, the Secretariat continued to develop evidence-based responses, policies, and legislation, and raised awareness on the importance of gender parity at events by developing relevant guidelines. Opened by the Secretariat's Director and International Gender Champion, Artur Lorkowski, the Energy Community hosted an event with more than 80 participants on "How to make the energy transition gender just", focusing on the importance to ensure gender equality in the energy transition and particularly coal phase-out. The Secretariat's commitment to gender-responsive procurement has been extended to be included in all tender documents where relevant.

Furthermore, as an active member of the EU Equality Platform, the International Gender Champions Platform, and the Gender Energy Compact, the Secretariat engages in ongoing knowledge exchange with specialist organizations and stakeholders involved in gender equality. Additionally, it played a role in the

communication group for the new CINEA study titled "Achieving Parity in the European Energy Sector by 2050." These efforts collectively reflect the Secretariat's dedication to promoting gender equality within the energy sector and beyond.

Back to (new) normal after energy crisis

In response to the 2022 Ministerial Council conclusions, and backed by extensive consultations and expert insights, the Secretariat drafted comprehensive policy guidelines on demand reduction measures with an aim to both address the current challenges and lay the groundwork for a sustainable energy future. The guidelines encompass various focal points, ranging from legal frameworks and retail energy prices to empowering citizens and renovation of buildings, each serving as a pillar for the revitalization of the energy sector. Notably, these guidelines aim to bridge the gap between short-term crisis management and long-term sustainable development, emphasizing the imperative role of energy efficiency measures and distributed renewable technologies in shaping a resilient and green energy transition.

Advancing Renewable Investments

The Energy Community Secretariat continued supporting the Contracting Parties in their efforts to transpose and implement Directive (EU) 2018/2001 of 11 December 2018 on the Promotion of the Use of Energy from Renewable Sources. This support involved the development and revision of national legislation, which encouraged the utilization of energy from renewable sources. As result, amendments or new renewable energy laws were adopted in Albania, Federation of Bosnia and Herzegovina, Serbia, and Ukraine. Various Contracting Parties, such as Georgia, Kosovo*, and Moldova, are in the concluding stages, as the laws are currently undergoing the parliamentary procedure.

In order to provide additional support to Contracting Parties in promotion of renewable energy, the Secretariat continued to arrange meetings, workshops, and conferences. On 18 - 19 April 2023, the Secretariat, in collaboration with the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina, organized the Renewable Energy Coordination Group meeting and a workshop on district heating and cooling in Sarajevo. This workshop, organized in partnership with the International Renewable Energy Agency, drew approximately 130 participants, including in-person and online attendees. Among the participants were representatives from ministries responsible for Energy Community Contracting Parties, the European Commission, donors and international financial institutions, district heating companies, NGOs, and more.



A poster promoting on social media the Conference on Advancing Renewable Investments

EU4Energy Governance (Phase II) "Promoting the clean energy transition and securing increasing energy security for the EaP"

The Energy Community Secretariat is actively involved as one of the implementing partners in the EU4Energy (Phase II) technical assistance project, co-funded by the EU4Energy Programme of the European Union. The overarching goal of the EU4Energy Governance Project Phase II is to advance the clean energy transition, enhance energy security, and facilitate access to energy for vulnerable populations in three Eastern partner countries: Georgia, Moldova, and Ukraine. These efforts also aim to mitigate the impact of the ongoing.

Throughout the course of this action, which spans from 2020 to 2026, the Secretariat collaborates closely with stakeholders in the mentioned countries to provide support in drafting, transposing, and implementing energy reforms. These reforms encompass various aspects of the energy sector, including electricity, gas (including hydrogen), energy efficiency, and renewable energy. The project additionally focuses on knowledge transfer through a range of capacity building activities designed to empower relevant public authorities.



Photo: EU4Energy organized event

In 2023, the Energy Community strengthened its commitment to Ukraine by appointing a Senior Energy Expert as the Head of the Kyiv office, reinforcing its presence in the country.

EU4Energy has outlined specific activities slated for implementation in Georgia, Moldova, and Ukraine until the conclusion of 2023. These initiatives collectively contribute to the advancement of clean energy and energy security in the region, as well as provide much-needed assistance to mitigate the effects of the ongoing conflict in Ukraine.

Communications and outreach efforts

During the reporting period, the Secretariat made a strategic commitment to align its communication efforts with the vision of "Paving the way for a sustainable and greener future." To accomplish this ambitious goal, the communication approach shifted from technical jargon to a results-driven and expert-centric strategy. This shift was designed to not only amplify the effectiveness of the communication but also to humanize the organization's image, making it more relatable and engaging.



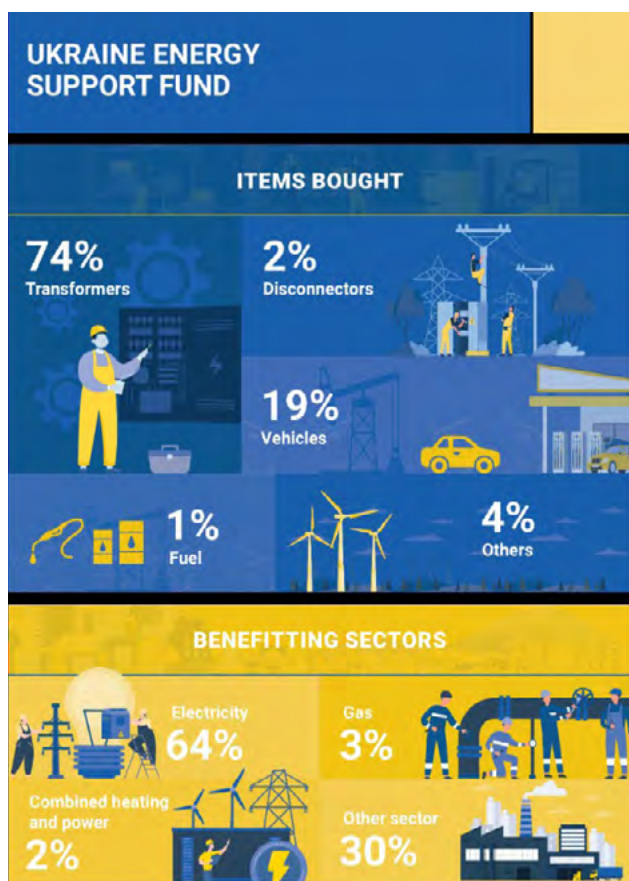
Preparations for Just Transition Forum, Skopje

The social media engagement and interaction metrics experienced remarkable growth. We increased the frequency of our posts and bolstered our online presence, leading to a more impactful and resonant communication strategy. Furthermore, the Secretariat enhanced and improved the visibility of its events, with a particular focus on visual aspects, including eye-catching graphics, high-quality photography, interactive visuals, social media visuals, etc.

In total, the Secretariat has organized 120 events, a combination of online and in-person gatherings, over the course of the reporting period. These events encompass a diverse range of topics and formats, including conferences, webinars, workshops, seminars, and interactive panel discussions. They have been strategically designed to engage with the stakeholders and foster meaningful connections and collaborations within community. The events have attracted a broad and engaged audience, creating valuable opportunities for knowledge exchange, networking, and collective action toward our sustainability goals.

Achieving Sustainability: EMAS re-certification

During 2023, the Secretariat's commitment to environmental domain has been officially recognized with the re-certification of its environmental management system. Following a successful external audit during the year, the Austrian Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology officially extended the Secretariat's EMAS certification on 25 October 2023.



Infographic presenting UESF performance in September 2023

Throughout the year, the Secretariat introduced a range of tools to convey its activities effectively. This includes the power of straightforward language, eye-catching infographics, concise video explainers, and modern, vibrant designs to connect with audience.



Performance,
Credibility,
Transparency

The external EMAS audit centered on the Secretariat's Environmental Statement that translated the set environmental targets into actions and on the implementation of the measures established under the environmental management system. The 2023 Statement presents the Secretariat's environmental performance based on key performance indicators in the areas of emissions, energy and material efficiency and waste management. To underline the continuous improvement principle, the Statement also provides an outlook of the activities in the pipeline.

Staffing Updates

Throughout the reporting period, the Energy Community Secretariat benefitted from the contributions of a total of 44 professionals, who brought diverse expertise spanning the programmatic and support areas covered by the Energy Community. In addition to its permanent staff members, the Secretariat engaged 29 temporary staff, each serving for durations ranging from 1 to 12 months. These temporary staff members included interns, secondees, research fellows, and locally recruited personnel, all of whom made valuable and meaningful contributions to the Secretariat's mission and work. Their collective efforts have been instrumental in advancing the goals and functions of the Energy Community.

Budget

In 2023, the ordinary budget of the Energy Community Secretariat, which is formed through contributions from nine Contracting Parties and the European Union, all participants of the Energy Community Treaty, amounted to EUR 5,080,365. This ordinary budget was further supplemented by an extraordinary budget totaling EUR 1,433,281, which was provided by six different donors. In total, the annual budget for 2023 amounted to EUR 6,513,646. These financial resources are essential for supporting the Secretariat's operations and activities aimed at promoting energy cooperation and integration within the Energy Community.



17 Methodology

Background

For its assessment underpinning the findings of this report, the Secretariat used specific indicators for the assessment of implementation, and a methodology to calculate the summary indicators and the overall implementation score.

The implementation indicator tables are based on a methodology quantifying the Contracting Parties' success in transposing and implementing the acquis and having in place effective institutions. It is based on standardised assumptions and evaluations, cases under the Energy Community's dispute settlement mechanism, country missions, review of legislation, market analysis, expert interviews and desk research. The quantification of all figures used to measure implementation was performed by experts of the Energy Community Secretariat.

The final dataset entailed more than 2.000 individual values that were used to produce 38 key implementation indicators across the areas of work assessed by this Implementation report. To underscore the Energy Community's dedication to advancing towards a cleaner and more integrated energy market, the Report for the first time groups the 38 indicators in five clusters.

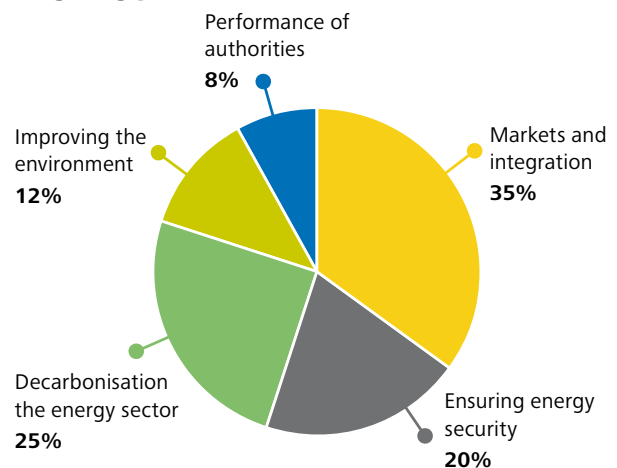
Implementation assessment

The implementation assessment is based on a system of performance indicators aggregated at several levels.

1. A total of 38 implementation indicators aggregated per each Contracting Party across the areas of work: electricity, gas, oil, governance and climate, renewable energy, energy efficiency, environment, climate, including national regulatory, competition, State aid and statistics authorities. Aggregation is based on the weighting explained in the table below, and results presented for each Contracting Party (chapters 4-12);

2. Five cluster implementation indicators aggregating the values at cluster level: Markets and integration (10 indicators), Decarbonising the energy sector (16 indicators), Ensuring energy security (3 indicators), Improving the environment (5 indicators), Performance of authorities (4 indicators).

Weighting per cluster



3. Summary indicators – the overall implementation score for each Contracting Party and overall (average) implementation score for the Energy Community calculated based on the weighting explained in the table below, and presented on page 8.

All of the values are normalised to percentages between 0% and 100%, where 100% implies full implementation.

For the Contracting Parties where certain indicators are not applicable (for example due to the lack of a gas market in Kosovo* and Montenegro), these indicators were not taken into account in the overall score, but the remaining indicators were increased in weight, where justifiable.

Implementation indicator structure and weighting

Indicator name	Indicator weight
Overall Implementation Indicator	1,00
1 Markets and integration	0,35
1.1 Electricity	0,50
Unbundling	0,25
Access to the system	0,20
Wholesale market	0,20
Retail market	0,15
Regional integration	0,20
1.2 Gas	0,50
Unbundling	0,25
Access to the system	0,25
Wholesale market	0,20
Retail market	0,20
Regional integration	0,10
2 Ensuring energy security	0,20
2.1 Electricity	0,04
2.2 Gas	0,04
2.3 Oil	0,02
3 Decarbonising the energy sector	0,25
3.1 Governance and climate	0,33
National Energy and Climate Plans (NECPs)	0,20
Greenhouse gas 2030 target	0,20
National inventory systems and systems on policies and measures and projections	0,20
National greenhouse gas emissions policies and measures and adaptation planning and strategies	0,20
Long-term strategy and climate neutrality	0,20
3.2 Renewable Energy	0,33
2030 renewable energy targets	0,20
Quality of support schemes	0,20
Self-consumption and energy communities	0,15
Guarantees of origin	0,15
Sustainability and greenhouse gas emissions saving criteria for biofuels, bioliquids/biomass fuels	0,15
Renewable energy in the heating and cooling sector	0,15
3.3 Energy Efficiency	0,33
2030 energy efficiency targets and policy measures	0,20
Energy efficiency in buildings	0,20
Energy efficiency scheme and financing	0,20
Energy efficient products - labelling	0,20
Efficiency in heating and cooling	0,20
4 Improving the environment	0,12
Environmental impact assessment (EIA) and strategic environmental assessment (SEA)	0,30
Sulphur in fuels	0,15
Large combustions plants and industrial emissions*	0,30
Nature protection	0,15
Environmental liability	0,10
5 Performance of authorities	0,08
Regulatory authority	0,40
Competition authority	0,20
State aid authority	0,20
Statistical authority	0,20

* in the case of Albania, the "Large combustions plants and industrial emissions" indicator is omitted from the final result as the Contracting Party does not have any plants in operation



18 Glossary

The selection below lists the most central stakeholders and key terms used in this 2023 Energy Community Implementation Report.

AERS	Energy Agency of the Republic (Serbia)
ANRE	National Agency for Energy Regulation (Moldova)
B2B	business-to-business
CCRs	capacity calculation regions
CACM	CACM Regulation (Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management)
CBAM	CBAM Regulation (Regulation (EU) 2023/956 establishing a carbon border adjustment mechanism)
CfD	contract for difference
DSO	distribution system operator
EBRD	European Bank for Reconstruction and Development
EED	Energy Efficiency Directive (Directive 2012/27/EU on energy efficiency as amended by Directive (EU) 2018/2002)
EIA	Environmental Impact Assessment (Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment, as amended by Directive 2014/52/EU)
EnCT	Energy Community Treaty
ENTSO-E	European Network of Transmission System Operators for Electricity
ENTSO-G	European Network of Transmission System Operators for Gas
ERC	Energy and Water Services Regulatory Commission (North Macedonia)
ERE	Energy Regulatory Entity (Albania)
ERO	Energy Regulatory Office (Kosovo*)
ESCOs	Energy Service Companies
EUROSTAT	Statistical Office of the European Union
FEC	final energy consumption
GNERC	National Energy and Water Supply Regulatory Commission (Georgia)
GOs	guarantees of origin
HPP	hydro power plant
IAP	Ionic Adriatic Pipeline project
ISO	independent system operator
ITC	inter-TSO compensation mechanism
MCO	market coupling operator
NECP	National Energy and Climate Plan
NEEAP	National Energy Efficiency Action Plan
NERP	National Emission Reduction Plan
NEMO	nominated electricity market operators

NEURC	National Energy and Utilities Regulatory Commission (Ukraine)
NIS2	Directive (EU) 2022/2555 on measures for a high common level of cybersecurity across the Union
LCPD	Large Combustion Plants Directive (Directive 2001/80/EC on the limitation of emissions of certain pollutants into the air from large combustion plants)
LNG	liquefied natural gas
PaMs	policies and measures
PEC	primary energy consumption
PECI	Project of Energy Community Interest
PHLG	Energy Community Permanent High Level Group
PMI	Project of Mutual Interest
PCG EU	Pentalateral Coordination Group
REMIT	REMIT Regulation (Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency)
REDII	Renewable Energy Directive (Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources)
REGAGEN	Energy and Water Regulatory Authority (Montenegro)
SAFA	synchronous area framework agreement
SDAC	single day-ahead
SEE CAO	Coordinated Auction Office in South East Europe
SEA	Strategic Environmental Assessment (Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment)
SERC	State Electricity Regulatory Commission (Bosnia and Herzegovina)
SHARES	survey of health, ageing and retirement in Europe
SIDC	intraday coupling
SoLR	supplier of last resort
SPA	special protection area
TEN-E	TEN -E Regulation (Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure)
TAP	Trans Adriatic Pipeline project
TPP	thermal power plant
TSO	transmission system operator
UNFCCC	United Nations Framework Convention on Climate
USSs	universal service suppliers
VTP	virtual trading point

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