

# Newsletter



## EU4Energy Governance Project

The EU4Energy Governance Project is a technical assistance project funded by the European Union, under the EU4Energy Initiative\*. It targets policy makers working in the energy sector of Eastern Partner countries and helps them strengthen their legislative and regulatory frameworks as well as identify investment opportunities in key energy infrastructure projects. Within this project, the Energy Community Secretariat is delivering technical assistance to three Eastern Partner countries: Georgia, Moldova and Ukraine that are members of the Energy Community. Regional activities of the project also involve Armenia, Azerbaijan and Belarus.

### WELCOME TO THE EU4ENERGY GOVERNANCE PROJECT

In this first annual issue of our newsletter, you can learn about the energy reforms being carried out in **Georgia, Moldova and Ukraine** with **EU4Energy** support.

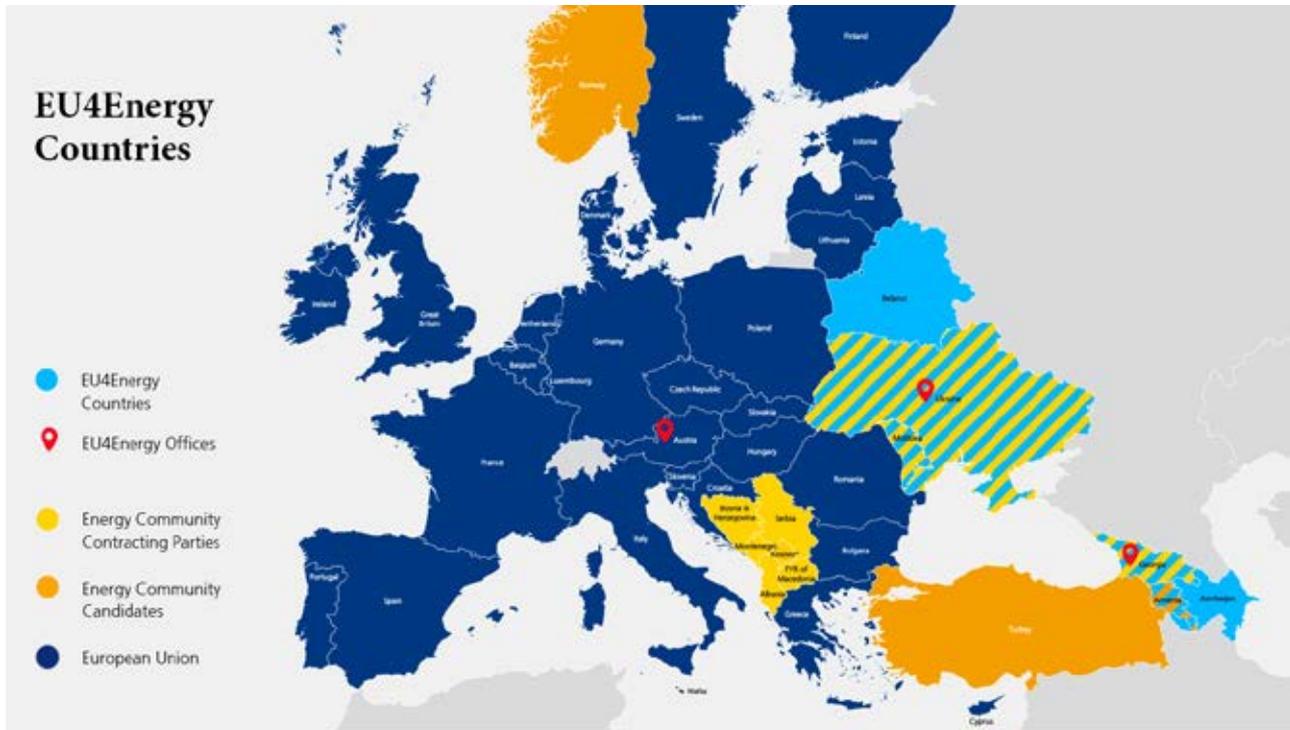
It includes all the key activities carried out over the last year by the **Energy Community Secretariat** under the **EU4Energy Governance Project**. The highlights in this newsletter are organised by country and sector and are referenced to specific articles on our website

for more information. We hope you will find this newsletter a user-friendly digest of all the exciting developments over the last year on how the countries are modernising their energy legislation and markets.

For more information, please visit:  
[www.energy-community.org/regionalinitiatives/EU4Energy.html](http://www.energy-community.org/regionalinitiatives/EU4Energy.html)

\*The EU4Energy Initiative covers all EU support to improve energy supply, security and connectivity, as well as to promote energy efficiency and the use of renewables in the Eastern Partner countries Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. It does this by financing projects and programmes that help to reform energy markets and to reduce national energy dependence and consumption. Over the longer term, this makes energy supply more reliable, transparent and affordable, thus reducing energy poverty and energy bills for both citizens and the private sector.

## TAKING STOCK OF PROGRESS OVER THE LAST YEAR



Working closely with authorities in each country, the EU4Energy Governance team has brought significant change in Georgia, Moldova and Ukraine. With over 30 legal acts initiated and over 350 officials trained, the figures speak for themselves.

### 1<sup>ST</sup> YEAR OF IMPLEMENTATION

Key facts & figures	Georgia	Moldova	Ukraine	Total
Regulatory drafts prepared	14	10	7	31
Working groups established	6	6	6	18
Workshops and meetings organised	19	24	31	74
Officials trained	81	210	80	371

**Electricity market** reforms featured prominently in the EU4Energy's activities in the first year of implementation across all three countries. In Georgia, EU4Energy team helped to draft substantial secondary legislation to support the implementation of the new Energy Law. In Moldova, EU4Energy made a significant contribution to the development of a new market concept design for the operation of the wholesale electricity market. While in Ukraine, the EU4Energy team develops key regulatory acts to provide a solid basis for the implementation of the newly adopted primary law on the electricity market.

In the area of **energy efficiency**, a giant step forward was made in Georgia with the development of the first-ever Law on Energy Performance in Buildings. In Moldova, a building certification system is being developed with EU4Energy support. Ukraine is setting up two new **energy efficiency** targets - for 2020 and 2030 - on the basis of scenario modelling made with EU4Energy support.

In the area of **gas market** reform, Ukraine is working on unbundling of the state-owned gas monopoly, while Georgia and Moldova focused efforts on developing their natural gas distribution network codes with EU4Energy support.

**Energy-related environment** issues were addressed in Georgia and Moldova. EU4Energy developed new draft legislation on sampling and analysis of marine fuels in Georgia and facilitated the transposition of legislation related to reducing emissions from large combustion plants in Moldova.

Significant regulatory changes are being introduced in the countries with EU4Energy support. Countries are transitioning towards more sustainable energy systems with the introduction of new measures that will help to reduce dependency on fossil fuels, improve the security of energy supply and allow countries to contribute more actively to climate change mitigation.

**”** *The Energy Community Secretariat's role is to assist the three Eastern Partner countries – Georgia, Moldova and Ukraine - to upgrade and align their energy-related legal framework with the one of the EU. This important EU-funded Programme, EU4Energy, provides additional resources to do this more effectively.*

Janez Kopač  
Director of the Energy Community Secretariat



## Watch EU4Energy Governance Project video

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Our new explainer video gives an overview of what the project is all about as well as its main achievements to date.



**Play video**

## Country leaflets

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Our new country leaflets provide more details on our work in each country and the results of work in each area of cooperation.

Download the Georgia, Moldova and Ukraine leaflets following this [link](#)



## ENERGY EFFICIENCY

The EU4Energy Governance team supported Georgian authorities to develop the first-ever Law on Energy Performance in Buildings and is working on related regulations in compliance with the EU's relevant directive.



### Draft Energy Performance in Buildings Law

With EU4Energy support, the new draft law transposing Directive 2010/31/EU is ready. It introduces minimum energy performance requirements for buildings and energy performance certification of buildings and apartments. The new regulations will support households in reducing their energy bills and provide them with accurate information on energy consumption of buildings and energy-efficient and cost-effective solutions. Georgia has made great headway in adopting European energy efficiency policy and legislation having only joined the Energy Community in July 2017.

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## ELECTRICITY MARKET

The EU4Energy Governance team worked closely with Georgian authorities to draft secondary legislation to support the implementation of the new draft Energy Law. Secondary legislation developed included: a comprehensive set of licensing conditions; rules for supply of universal services and supplier of the last resort; rules for cross-border transmission capacities and overall rules for security of electricity supply.



*“We truly appreciate the support of the Energy Community Secretariat under the EU4Energy Governance project in helping us to find ways to enhance our legal framework in the gas sector, whilst taking into account the specific nature of Georgia.”*

Giorgi Chikovani  
Deputy Minister of Economy and Sustainable Development of Georgia



### **Implementing Georgia's new Energy Law**

Many regulatory changes are needed to implement the full electricity market reform. In order to ensure that the rationale for these reforms is well understood by all stakeholders, a High-Level Policy Talk was organised on 9-10 November 2017 on the challenges and perspectives of electricity sector reform. The EU4Energy Governance team presented the regulatory reforms that need to be in place to support the implementation of the new draft Energy Law, which will transpose the EU's Third Energy Package into Georgia's national legal framework.

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### **EU4Energy presents new rules on security of electricity supply**

The EU4Energy Governance team presented the newly developed rules on security of electricity supply for Georgia that reflect the Directives 2009/72/EC and 2005/89/EC. These rules include a set of measures to prevent emergency situations such as the procedures to follow in case of an electricity crisis and the roles and responsibilities of the competent authorities in these situations.

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### **Improving cross-border trade with new rules on the use of cross-border electricity transmission capacities**

Working closely with local authorities, EU4Energy developed new rules transposing Directive 2009/72/EC and Regulation EC No 714/2009 on capacity allocation and congestion management in the cross-border interconnections, under non-discriminatory, market-based solutions. In this way, the international trade of electricity is facilitated and Georgia's energy security is increased.

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### **Electricity market rules for universal service and suppliers**

EU4Energy drafted detailed operational rules and standard contract terms which will regulate the activities of the universal suppliers and the supplier of last resort. Georgian authorities will be able to ensure a continuous, reliable and high quality supply of electricity to households and small businesses, in line with the relevant provisions of the draft Energy Law.

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## GAS MARKET

The EU4Energy Governance team supported the development of a natural gas distribution network code.



### EU4Energy High-level Policy Talks in Georgia highlight opportunities of EU gas market reforms

The EU4Energy Governance Project organised the event on 12-13 April 2018. The event was dedicated to increasing stakeholder awareness of the new institutional and legislative frameworks for natural gas in order to comply with the EU Third Energy Package.

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### Draft Natural Gas Distribution Network Code

A Draft Natural Gas Distribution Network Code was developed to elaborate the terms and conditions for operation as well as the management and functioning of natural gas distribution networks in Georgia. This code will contribute to opening of the gas market, attracting investments and providing for an increased security of gas supply in Georgia.



## ENERGY-RELATED ENVIRONMENT

The EU4Energy Governance team drafted legislation on sampling and analysis of marine fuel to improve quality of fuels used by vessels.

### Final draft legislation delivered on sampling and analysis of marine fuel

In November 2017, the final draft legislation transposing the full set of provisions of Directive 1999/32/EC was delivered to the Ministry of Environment and Natural Resources Protection of Georgia. The document focused on fuel quality monitoring plans and sampling and analysis of marine fuels used by vessels navigating through inland maritime and territorial waters. As of 1 January 2019, the sulphur content of the marine fuel being used on board will be checked in at least 30 % of the inspected ships. Full implementation of the directive is expected by 1 September 2021 in Georgia.

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## ENERGY EFFICIENCY

The EU4Energy Governance team worked with Moldovan authorities to review their existing law on the energy performance of buildings and prepare a gap analysis on what it would take to make it compliant with the relevant EU directive. The team also contributed to the development of the draft Law on Energy Efficiency. Lastly, a roadmap was developed on how to introduce software that provides energy performance certification for buildings.



### High-level Policy Talks promote energy efficiency development

The Policy Talks organised on 29 March 2018 brought together stakeholders to discuss the state of play of the energy efficiency legal framework in Moldova. EU4Energy explained the importance of adopting the new draft Energy Efficiency Law and how to strengthen relevant institutions to implement this law.

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### Bridging the gaps to a new energy performance certification system for buildings

With EU4Energy support, Moldovan authorities are establishing a building certification system to boost energy efficiency. The comprehensive gap assessment carried out on the technical, legal and organisational framework conditions for the implementation of the energy performance certification sets a clear path for compliance with Directive 2010/31/EU on the energy performance of buildings.

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### Roadmap for Energy Performance Certification

EU4Energy has also delivered a roadmap for the implementation of the energy performance certification software, which will give information on the energy consumption of buildings and apartments, and empower consumers to take actions to help reduce their utility bills.

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*“It should be noted here that energy efficiency is not perceived as a trivial commitment, but as a tool for increasing energy security, combating the phenomenon of energy poverty, being the least costly means to reduce greenhouse gas emissions and, at the same time, generating multiple socio-economic benefits. [...] We are committed to ensuring a transition to a cleaner and low cost energy.”*

Vitalie Iurcu

State Secretary at the Ministry of Economy and Infrastructure of Moldova



## ELECTRICITY MARKET

The EU4Energy Governance team supported the development of a new market concept design for the operation of the wholesale electricity market including detailed market rules as well as rules for cross-border trading. Ongoing work includes the development of a methodology for a transparent electricity tariff calculation.



### Development of detailed Wholesale Electricity Market Rules

A Working Group meeting was organised with the National Energy Regulatory Agency (ANRE) and key stakeholders to discuss the detailed Wholesale Electricity Market Rules, including rules for the forward market, the day-ahead and intraday markets, the balancing market, the ancillary services procurement and the imbalance settlement developed under the framework of the EU4Energy project. These rules will ensure competitive and transparent operation of the electricity market in Moldova and allow effective coupling with the EU electricity market.

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### Supporting tariff reform in the electricity market

In May 2018, the EU4Energy Governance team presented to the National Energy Regulatory Agency and electricity market participants, the first results from the analysis phase on drafting the methodology for calculation, approval and application of tariffs for the Electricity Market Operator. Transparency in tariff calculation and stability in electricity pricing will safeguard consumers against excessive pricing.

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### New Electricity Market Design

A new concept design for the operation of the wholesale electricity market in Moldova was developed within the framework of the EU4Energy Governance project. It addressed market and technical-oriented parameters and possibilities to couple with neighbouring countries' markets. Special emphasis was given to the creation of a separate balancing market combined with a reserves market regime and the application of rules that will count and charge imbalances to market participants.

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### Cross-border trading and congestion management

A gap analysis was carried out on the Moldovan and Ukrainian regulations on cross-border trading and congestion management. As a result, the draft Cross-border Allocation rules and Auction rules for the Moldovan-Ukrainian Interconnection were developed.



## GAS MARKET

The EU4Energy Governance team supported Moldova in two key areas of its natural gas market reform: development of the methodology for gas tariff calculations and drafting of legal acts related to gas transmission and distribution codes.



### EU4Energy delivers gas tariff calculation methodology

EU4Energy helped to develop the methodology for establishing the entry-exit gas transmission tariff which is part of the natural gas market reform carried out by Moldova, in line with its commitments under the Energy Community Treaty. Transparent tariff calculations contribute to the opening of the Moldovan gas market, promote investments in gas infrastructure and enhance the country's security of gas supply.

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### Improving natural gas transmission and distribution codes

EU4Energy supported Moldova in developing natural gas transmission and distribution network codes in line with relevant EU regulations. EU4Energy worked with Moldovan authorities and prepared two draft legal acts establishing the terms and conditions for the operation and management of natural gas transmission and distribution networks, as part of the natural gas market reform.

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## ENERGY-RELATED ENVIRONMENT

The EU4Energy Governance team supported the transposition and implementation of legislation related reducing emissions into the air from large combustion plants.

### Reducing emissions from fossil-fuel fired combustion plants

Regulating emissions from large combustion plants helps to reduce air pollution and safeguard the health and well-being of citizens. EU4Energy is providing technical assistance to transpose and implement the provisions of Directive 2001/80/EC on the emissions of certain pollutants into the air from large combustion plants. As a result, all combustion plants located on the territory of Moldova have to comply with the emission limit values of the Directive as of 1 January 2018.

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## ENERGY EFFICIENCY

The EU4Energy Governance team supported Ukraine in developing national energy efficiency targets by 2020 and 2030. The new Energy Performance of Buildings Law, adopted by the Ukrainian Parliament in June 2017, was developed with support of the EU4Energy Governance.

### Setting national energy efficiency targets for 2020 and 2030

The EU4Energy Governance team carried out scenario modelling to determine the potential for energy savings across economic sectors. On this basis, national energy efficiency targets for Ukraine for 2020 and 2030 were calculated and a draft Governmental Decree was prepared for the adoption of targets.

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### Ukraine adopts Energy Performance of Buildings Law

The Energy Performance of Buildings Law transposes certain provisions of the Directive 2010/31/EU and introduces an obligation to apply minimum energy performance requirements for buildings which are constructed. Energy certification of buildings have become obligatory.

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*“Working with the EU4Energy Governance team, we have pushed forward the adoption of new Energy Performance of Buildings Law and the new Metering Law. These laws have set the foundation for our new Energy Efficiency Fund which will provide real incentives to our citizens to make significant energy efficiency renovations in their homes. The impact of our joint work has tangible positive impacts on our citizens’ daily lives.”*

Andriievskiy Dmytro  
First Deputy Chairperson of the Committee on Construction, Urban Development,  
Housing and Communal Services of the Verkhovna Rada of Ukraine



## ELECTRICITY MARKET

With the adoption of the primary law on the electricity market in 2017, the EU4Energy team has been helping Ukraine to develop key regulatory acts to provide a solid basis for the implementation of the law and the transition to a new model of the electricity market. The EU4Energy Governance team supported the development of market rules for operation of the intra-day power market as well as rules and a methodology for the operation of the ‘guaranteed buyer’<sup>1</sup> of renewable energy generation.

<sup>1</sup> The guaranteed buyer is an entity established to ensure that all electricity produced from the green generators is aggregated into a single portfolio, securing efficient allocation of imbalance risks associated with solar, wind and hydro forecasts.



### Market rules for the operation of the intra-day power market

Detailed market rules for the operation of an intra-day power market have been drafted with EU4Energy support. The rules constitute significant input in the context of preparing secondary legislation in accordance with the provisions of the Law “On Electricity Market”.

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### Guaranteed Buyer rules ready for adoption

In January 2018, the final draft of the secondary legislation for operation of the Guaranteed Buyer was handed over to Ukraine. The detailed set of rules will allow the guaranteed buyer to operate in accordance with the provisions of the newly adopted Electricity Market Law and in accordance with the Energy Community acquis.

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## GAS MARKET

The EU4Energy Governance team supported the development of legislation targeting the unbundling of Ukraine’s gas supply.

### Final draft legislation on unbundling of gas supply

The draft law on the unbundling of the state-owned gas monopoly, Naftogaz, was prepared with the assistance of the EU4Energy Governance Project. The unbundling of the gas supply will ultimately lead to increased competition, diversification of energy sources, safeguarding of supply and lowering of prices for consumers.

## REGIONAL / CROSS-BORDER NEWS

With the EU4Energy Governance Project, the Energy Community Secretariat provides a structured forum for partner countries in the wider region to identify key regional energy infrastructure projects. The Secretariat supports the selection process of priority projects by applying a specific methodology and criteria to evaluate investments in electricity and gas infrastructure projects. The projects with the highest impacts on energy trade interconnectivity will be promoted to financial institutions for financial support.



### **Regional High-level Policy Talks held on improving energy cooperation in South Caucasus**

The South Caucasus Energy High Level Policy Talks were held in Tbilisi on 25 May 2018. Minister from Georgia, Deputy Minister from Azerbaijan and several other high level guests participated in the event and highlighted the benefits of an upgraded cooperation in the South Caucasus region as well as opportunities for developing regional energy infrastructure and connectivity.

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# MEET THE EU4ENERGY GOVERNANCE TEAM

The EU4Energy Governance Team is based in the Energy Community Secretariat headquarters in Vienna. Local teams are based in the two regional offices:

- Regional Office in Kyiv supports technical assistance in Belarus, Moldova and Ukraine
- Regional Office in Tbilisi supports technical assistance in the Caucasus (Armenia, Azerbaijan and Georgia)

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