

EU4ENERGY  
GOVERNANCE  
PROJECT

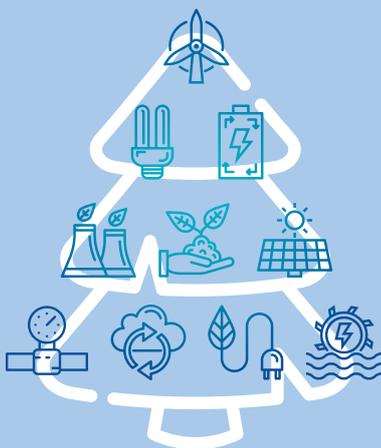
# NEWSLETTER

(JULY – DECEMBER 2018)

## ISSUE #2

### Highlights in Issue No. 2:

Why a new hashtag #EnergyReforms4Citizens  
New blog, first post “Our work through the eyes of citizens”  
High-level Policy talks in Georgia and Ukraine  
New area of work: “Energy infrastructure investments”



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EU4Energy



# BLOG POST: OUR WORK THROUGH THE EYES OF CITIZENS

## A new take on how the EU4Energy Governance project will ultimately benefit citizens



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Deputy Head of Unit  
Renewables and Energy Efficiency  
Expert

Many people ask me what the EU4Energy Governance project does to help citizens in our countries of operation. I decided it was time to tackle this question and try to answer it in 'human language' rather than with the usual technical jargon.

But we would need some context first. The EU4Energy Governance project works mainly in three Eastern Partner countries: Georgia, Moldova and Ukraine that are members of the Energy Community. Our work is focused on helping governments to draft and adopt new laws and regulations in the energy sector that will ultimately help citizens in three ways:

- Citizens will benefit from lower energy bills and those most vulnerable will be supported in paying for their energy (reduction of energy poverty);
- Citizens will have a reliable and better quality of energy supply; and
- Citizens will have cleaner air quality as the emissions caused by energy-related activities are reduced.

### But how do the new energy laws and regulations bring about such benefits for citizens?

Sometimes to explain something complex, it is better to use an analogy that is easy to understand. Let's use the example of a shop. Let's pretend that there is only one shop in the city that is run by the government. As there is no competition, everyone purchases goods at this shop. The service is slow, and the selection and the quality of the goods leaves a lot to be desired.

The government wants to keep its citizens happy, so it charges artificially low prices for the goods at the shop which cover only a small fraction of the real cost of operation. The income from the shop is not sufficient to cover the cost of operation and the shop constantly borrows money from the state and creates a huge debt. The citizens in reality are not benefiting from this shop; the quality of the goods is low and they are paying more for the goods through indirect subsidies that come from their taxes. The shop is about to go bankrupt as it cannot sustain the huge levels of debt and it has no income to invest in new equipment and goods for the shop.

The shop can continue to operate in this manner but it will eventually go bankrupt and cause severe problems to the

state finances. Alternatively, the government who owns the shop can try to save it and reduce its debt by re-organising the shop business in the city. The government can attract multiple investors to not only invest in the one shop, but also in additional new shops, which will create competition and ultimately reduce prices for consumers as they compete for their business. Further benefits include that citizens will have better quality of goods and the state will be able to pay off the shop debt and even generate new income for the state finances from the new shops.

### So how does this all relate to energy?

We'll think of the shop in the above analogy as one of the state energy monopolies. It is no longer economically viable and has huge debts that even put the state at risk. With no investments made in their energy infrastructure for many years, the reliability and quality of the energy supply is in jeopardy for their citizens. The solution is the same as in the analogy: there is a need for total re-organisation or reform of the sector.

It is with this 're-organisation' that the EU4Energy Governance team helps governments. Our team works side-by-side with relevant state actors to develop legislation and regulations for viable energy markets that put the citizen's concerns at the heart of the reforms. Simply put, we support energy reforms with this vision:

***Citizens have secured energy for the long-term, at affordable rates, available through multiple suppliers that they can choose from and with the right to recourse in case of unfair treatment.***

### Why a new hashtag #EnergyReforms4Citizens?

As part of our ongoing focus to help create an awareness of the benefits of these energy reforms for citizens, we have adopted a new hashtag for our work: **#EnergyReforms4Citizens**. This new hashtag will help us to better document how the reforms are benefitting citizens and how citizens are at the heart of our work.

### Why a new blog for the EU4Energy Governance team?

Sometimes our work can seem very complicated and legalistic. We want to have an opportunity to take away the technical jargon and present our work in an easy-to-understand way. This new series of blog posts from the EU4Energy Governance team is our new communication platform for sharing the 'human side' of our work and the impact it is making. I hope you enjoyed this first blog post and invite your comments and questions for future blog posts.



The EU4Energy Governance team worked with the Ukrainian stakeholders in developing the secondary legislation for implementing the new Electricity Market Law that is part of the country's electricity market reform process. The methodologies for calculating tariffs for ancillary services and cross-border capacity are on the way and capacity building with stakeholders on cross-border trading mechanisms was organised. EU4Energy also hosted an important High-level Policy Talks between Moldova and Ukraine on harmonising their electricity market integration.

## Draft methodology for calculating tariffs for ancillary services is ready

20 November 2018 – Ukraine



The EU4Energy team presented the draft methodology for calculating tariffs for ancillary services to the National Energy and Utilities Regulatory Commission (NEURC) and the state enterprise NPC “Ukrenergo.” This methodology will ensure efficient cost allocation in the procurement of ancillary services and effective functioning of electricity markets. It is part of Ukraine's overall actions in reforming its wholesale electricity market in accordance with the Energy Community acquis and will serve to implement the Electricity Market Law.

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## Cross-border capacity calculation methodology for Ukraine is being developed

21 September 2018 – Ukraine

The draft methodology for cross-border capacity calculation was prepared and presented to the National Energy and Utilities Regulatory Commission (NEURC) and the state enterprise NPC “Ukrenergo.” The parties are currently discussing the draft. The new methodology ensures efficient cross-border trading and effective integration of electricity markets. Once the methodology is adopted by NEURC, it will serve to implement the Electricity Market Law, in line with the relevant provisions of the Third Energy Package.

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## Dialogue and training on cross-border trading mechanisms in Ukraine

19 September 2018 – Ukraine



In order for key actors to better understand the key mechanisms of cross-border trading in Ukraine, the EU4Energy Governance team and ENTSO-E experts led a capacity building workshop for representatives of the National Energy and Utilities Regulatory Commission (NEURC), state enterprise NPC “Ukrenergo” and state enterprise “Energhorynok”. Special emphasis was given to the roles and responsibilities of the main actors (the transmission system operator and the regulator) in view of establishing fair and transparent cross-border trade.

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## EU4Energy High-Level Policy Talks focus on Moldova - Ukraine electricity market integration

20 July 2018 - Ukraine

The EU4Energy High Level Policy Talks brought together Moldovan and Ukrainian stakeholders to discuss the benefits and means to a harmonized approach for further electricity market integration between the two countries in line with the Energy Community acquis. Both countries are in the process of reforming their wholesale electricity markets and it is important to ensure that the same rules are applied to cross-border electricity transactions.

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### ENERGY EFFICIENCY



The EU4Energy Governance team continues to support the Georgian authorities in developing the appropriate legal framework for the country's new draft law on Energy Performance in Buildings. In Moldova progress is made in developing an updated calculation methodology for the energy performance of buildings.

## Updating energy performance of buildings calculation methodology in Moldova

17 December 2018 - Moldova



The development of updated calculation methodology for the energy performance in buildings is underway in Moldova. The second meeting of the working group took place on 17 and 18 December and beneficiaries were presented with a draft tool for calculating a building's energy performance. Once adopted, this methodology will help provide clear and straightforward energy efficiency rules and requirements for buildings, which are essential for the rapid increase of energy efficiency in the sector.

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## Work begins on developing a calculation methodology for energy performance of buildings in Georgia

16 November 2018 - Georgia

Georgia continues to work on related regulations in compliance with the EU Directive 2010/31/EU which was successfully transposed earlier this year into the country's new draft law on Energy Performance in Buildings. Article 3 of the draft Law lays down the requirements for a national calculation methodology for Energy Performance in Buildings (EPB) and elaboration of an EPB calculation tool. The first meeting of the working group tasked to develop the draft methodology met in Tbilisi and provided important feedback on the draft methodology.

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EU4Energy Governance project in the gas sector continued to advance in the second half of 2018. A new gas distribution tariff methodology has been developed and is being discussed with Ukrainian stakeholders. In Georgia, the EU4Energy provides support for updating the natural gas transmission tariff methodology, which could make Georgia a forerunner among Contracting Parties in bringing its legislation in line with the recently adopted network code on harmonised tariff structures. The Natural Gas Market Concept Design was discussed in-depth at the High-level Policy Talks on gas market regulation in Georgia.

## New draft gas distribution tariff methodology discussed in Ukraine

11 December 2018 – Ukraine

An updated methodology for the calculation of gas distribution tariffs in Ukraine has been developed as part of the Work Programme of the EU4Energy Project. The draft was discussed with the National Commission for the State Regulation of Energy and Utilities of Ukraine (NEURC) and its main elements presented to the Ukrainian distribution system operators. The aim of the new methodology is to guarantee that gas supplies are provided to Ukrainian consumers as a continuous and high-quality service.

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## EU4Energy to provide support to Georgia in updating the natural gas transmission tariff methodology

5 December 2018 – Georgia

The EU4Energy Governance team launched a new assistance project with Georgian authorities for updating Georgia's natural gas transmission tariff methodology. The establishment of an entry-exit gas transmission tariff methodology is part of the natural gas market reform that is being carried out by Georgia as part of its commitments under the Energy Community Treaty.

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## High-level Policy Talks on gas market regulation explore how to get the best deal for Georgian households and businesses

4 October 2018 – Georgia



The EU4Energy Governance team organised a High-level Policy Talk in Tbilisi to support the development and implementation of a coherent Natural Gas Market Design that will ensure the smooth implementation of the Third Energy Package. While the timely adoption of the new Law on Energy remains a high priority, getting the design of the natural gas market right is equally important in order to maximize the benefits of reform for households and businesses.

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*“Georgia remains firmly committed to align its regulatory and legal framework with the best practices of the European Union. We truly appreciate the support of the Energy Community Secretariat under the EU4ENERGY Governance project in helping us find ways to enhance our legal framework in the gas sector, whilst taking into account the specific nature of Georgia. Reforms will bring benefits to businesses and households alike. They are an opportunity to modernize our gas sector, enhance security of energy supply and bring us closer to our European partners”.*

Ms Natia Turnava, Deputy Minister of Economy and Sustainable Development of Georgia



Improving energy reform planning was the focus of discussion at the regional workshop for all six Eastern Partner countries, organised by the EU4Energy Governance team. New assistance was launched in Ukraine for the transposition of the regulation that will facilitate investments in energy infrastructure projects.

## EU4Energy Governance holds workshop to improve energy infrastructure planning

30-31 October 2018 – All 6 countries



The EU4Energy Governance team organised a two-day workshop aimed at improving energy infrastructure planning in the six countries. The workshop focused on best practices with respect to infrastructure planning procedures, including the identification of priority projects, the role of the regulator in investment planning, risk assessment and tariff setting as well as long-term infrastructure plans based on the EU's experience of the Ten-Year Network Development Plans under the Third Energy Package.

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## EU4Energy to support Ukraine in transposing EU Regulation on Guidelines for Trans-European Energy Infrastructure

11 October 2018 – Ukraine



The EU4Energy Governance team launched technical assistance activities to support Ukraine in the transposition of Regulation (EU) 347/2013, which aims to facilitate investments in energy infrastructure and achieve the Energy Community's energy and environment policy objectives. A detailed analysis of the current legal and regulatory framework of Ukraine with regard to enabling the full transposition of the Regulation into its national legislation system as well as recommendations for the preparation of the necessary regulatory acts will be developed.

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## Director visits Georgia and Armenia to discuss state of energy reforms and regional key energy infrastructure projects

18 September 2018 – Georgia & Armenia



A delegation of the Energy Community Secretariat, headed by Director Kopac, travelled to Georgia and Armenia to meet with the newly appointed ministers responsible for energy issues to discuss energy reforms and key regional energy infrastructure projects. In Georgia, the key focus of discussions was the state of the draft laws on energy, and energy performance of buildings developed with support of the Secretariat and EU4Energy. In Armenia, the focus of discussions was on the identification of key regional energy infrastructure projects supported by the EU4Energy Governance project.

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The EU4Energy Governance team launched a new project in Ukraine for developing draft legislation that will tackle emissions from incineration and co-incineration of waste.

## EU4Energy to help tackle emissions caused by incineration and co-incineration of waste in Ukraine

18 September 2018 – Ukraine



The EU4Energy launched a technical assistance project to support Ukraine with its obligations under the environmental dimension of the Energy Community Treaty. In cooperation with the Ministry of Environment and Natural Resources of Ukraine, the EU4Energy Governance team will assist with the development of draft legislation in the field of industrial emissions, as set out by Directive 2010/75/EU. This is to be achieved through the application of operational conditions, technical requirements, and emission limit values for waste incineration and co-incineration plants.

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### VIDEO

Highlights of High Level Policy Talks on Natural Gas Market Design for Georgia



<https://www.youtube.com/watch?v=ESK90f13BII&t=1s>

### IN THE MEDIA

Feature story on Georgia's gas market reform: "New gas regulations to come in once Georgia complies with EU energy legislation"



<https://bit.ly/2UQChS>

### IMPLEMENTATION IN PERIOD - JULY - DECEMBER 2018

Key facts & figures	Georgia	Moldova	Ukraine	Total
Regulatory drafts prepared	1	2	1	4
Working groups established	3	3	7	13
Workshops and meetings organised	6	7	15	26
Officials trained	143	103	107	328



## 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.

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.

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[www.energy-community.org/regionalinitiatives/EU4Energy.html](http://www.energy-community.org/regionalinitiatives/EU4Energy.html)

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Funded by the European Union under the EU4Energy Initiative.