

**Chairman's Conclusions – Ad Hoc Meeting on the Gas-to-Power Initiative / Gas Ring:  
Brussels 13 December 2011.**

**For Distribution to participants of the meeting.**

1. The identified Contracting Parties (CPs), namely Albania, Bosnia & Herzegovina, Montenegro, Serbia, and UNMIK - Kosovo, are keen to pursue the gas-to-power initiative using new sources of gas and in coordination with the development of the necessary transmission infrastructure based on a gas ring concept. Other CPs may join when appropriate. Montenegro will organize a specific meeting with the biggest electricity consumer in this Contracting Party on the Gas-to-Power Initiative. ECS shall be invited to participate.
2. Ukraine will inform on its position on the Gas-to-Power Initiative / Gas Ring after the concept has been considered by the Ukrainian authorities.
3. Based upon the response of CPs, the Chairman noted the need to work on the Bulgaria – Serbia interconnector and the connection of Albania to the transmission network.
4. The Commission will consider to propose a Working Group on the Reverse Flow Operation of Transmission Lines, with Ukraine, Moldova, Romania, Bulgaria, Greece and Turkey as invitees, so that the Contracting Parties may fulfil in part their security of supply obligations.
5. Modernisation of the Ukrainian its gas transportation system is the main priority for Ukraine and this should be taken into consideration in the realisation of the main goal of the Energy Community: the creation of a single energy market.
6. There are several tools that may be used for advancing the gas-to-power initiative. Investors are likely to require a framework which will allow them to amortise their initial investments. Power Purchase Agreement should be considered although Public Private Partnerships - PPP/Industrial Consortium model presented by the World Bank might provide sufficient guarantees without exposing the national budgets. Coordinated tendering will be needed if the gas-to-power initiative is to drive the development of the Energy Community Gas Ring. Demand aggregator can help in accessing Azerbaijani gas.
7. The identified Contracting Parties have decided to go ahead. However, if the Gas Ring is to be finalised as the outcome of this initiative, coordination of individual CPs' plans may be essential.
8. PPP/Industrial Consortium model may be a suitable way forward for the identified CPs. It can be supported by the coordinated tendering of capacities. Those two tools should be further investigated in detail. The concept of demand aggregator should not be abandoned at this stage. The Participants and Observers are encouraged to communicate this opportunity to interested parties. Contracting Parties should also consider options for offering Power Purchase Agreements (PPAs) to investors if PPP/Industrial Consortium model proved not practical in the individual cases.
9. The identified Contracting Parties agree to organise in each capital a meeting with companies which could be potential candidates for investing in CCGTs (either via a PPP consortium or under long term PPA). Furthermore, the Commission and EnCS may organise a meeting in Brussels for any interested companies, and also in Vienna for the companies of Participant countries. The meetings would be run by the EnCS experts. EnCS should assist Contracting Parties in the preparation of the meetings, including the identification of invitees. Donors are welcome to participate.
10. Those industry/investors meetings in capitals should preferably be held in first quarter 2012.

11. The Contracting Parties agreed to prepare to such meetings by: a) identifying the concrete sites for the construction of power stations that would be discussed with the industry; b) agreeing internally *in principle* the readiness of the government to provide PPA or allow for PPP/Industrial Consortium; c) clarifying the principles of their participation in coordinated tendering of capacities
12. Energy Community Secretariat (EnCS) will be the coordinator and “depository of the Gas-to-power initiative”, but may seek assistance from donors:
  - a) EnCS to run the assessment of the potential legal and commercial aspects of the PPP/Industrial Consortium model as well as options to provide PPAs and propose further steps for coordinated implementation of the chosen models.
  - b) EnCS to assess (in details) what is needed to make the PPP model/PPAs practical in the environment of the identified Energy Community Contracting Parties. The Commission is to define likely criteria for PPA in line with the competition and market principles.
  - c) EnCS to coordinate the implementation – getting companies together, proposing options for incorporation and standard terms of operation; help companies with identifying the essential infrastructure upgrades (role for the regional investment plan working group);
  - d) EnCS to provide the necessary technical expertise/explanations to the CPs
13. Contracting Parties are ready to actively support the preparatory work for launching tenders for new CCGTs (including with PPPs/PPAs) and the necessary human resources (experts) will be made available for cooperation with the EnCS.
14. Regulators have an important role to play in the process, with the view to provide constructive regulatory feedback on the solutions proposed by the Energy Community Secretariat. The Secretariat will invite the President of the ECRB to nominate the ECRB experts who will participate in the relevant work.
15. Donors are invited to name their experts for providing constructive feedback on the solutions proposed by the EnCS.
16. The willing Contracting Parties, which are now identified, must come forward with proposals, including how many gas fired power stations they would wish to have, where they would like them, a first proposal on financing mechanisms, etc.. Each Contracting Party must send its contribution to the EnCS by 1st February. EnCS will then work with the Contracting Parties to make these initial ideas into a credible and viable plan, which is expected by 29th February; the Secretariat may use whatever help it may get from donors and may also engage the correct staff/consultants to do so (according to established procedures). The Secretariat will be responsible for making sure that the national plans are consistent internally, and complementary to each other, so that a fully regional approach can be pursued (insofar as it is necessary and/or desirable).
17. The Commission stressed that the gas-to-power initiative required active participation, and that passive participation would not be an option. Identified Contracting Parties will have to work to produce a viable plan; in the absence of a viable plan, work with the Contracting Party would stop.