

# INFORMATION ON THE IMPLEMENTATION OF THE WORK PROGRAMME OF THE ENERGY COMMUNITY FOR THE PERIOD 1<sup>ST</sup> JANUARY – 30<sup>TH</sup> JUNE 2010 AND KEY ACTIVITIES IN THE FIRST HALF OF 2010

## A. BACKGROUND AND APPROACH

The proposed information has been developed by the Energy Community Secretariat and reflects the status of implementation of the Work Programme of the Energy Community for the period 2010 – 2011 (the Work Programme) as on 30.06.2010.

The elaboration in this aspect represents an abstract of the Work Programme, as adopted by the Ministerial Council<sup>1</sup> (Conclusion 10, 6<sup>TH</sup> MC meeting of 26.06.2009), where all tasks envisaged within the cited period are listed and developed in more details.

The text follows the structure of the Work Programme and respectively the sequence of the priority areas as described in it.

The performance information is indicated immediately after each key task, which is indicated as standing in the Work Programme. All tasks, as specified in the adopted Work Programme, are made in **bold**.

However, noting that the Programme period is still at the beginning, the report indicates also the areas and tasks, where at this stage no concrete activities have been undertaken.

More detailed information under each item is available upon request.

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<sup>1</sup> Conclusion 10, 6<sup>th</sup> MC meeting, 26.06.2009 - <http://www.energy-community.org/pls/portal/docs/350204.PDF>

## **B. PERFORMANCE ON THE TASKS AND RELEVANT NEXT STEPS**

### **I. REGIONAL ELECTRICITY MARKET**

#### **1. SUMMARY**

It should be recalled that the key objective of the activities in this area is to support the developments in the Contracting Parties, concerning the electricity sector, as to achieve fulfillment of the explicit requirements of the Treaty, in particular the implementation of the electricity related acquis, as well as to support gradual development of a regional electricity market.

In addition, the Work Programme itself makes explicit reference to the modalities to update the EU acquis in order to take into account the Third Internal Market Package and the new directive on renewable energy adopted by the EU in 2009.

#### **2. ACTIVITIES**

##### **2.1. Monitoring and supporting activities**

The Secretariat continued the benchmarking on the institutional, legal and regulatory framework in the Contracting Parties in the context of the requirements of the relevant acquis.

Concrete focus in this aspect was the support in development of legislation and regulatory frameworks to increase compliance with the energy *acquis* and to open the markets.

In more details, the findings, as well as the undertaken and recommended steps shall be reflected in the *Report on the Implementation of the Treaty*, which shall be presented on the occasion of the Ministerial Council meeting on 24.09.2010.

During first half of 2010, the support in development of the legislation focused on the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and UNMIK; in addition, relevant legislation in Bosnia and Herzegovina, Moldova and Georgia was particularly assessed and benchmarked.

##### **2.2. Activities, related to the setting-up of the Coordinated Auction Office**

The work in this direction was linked to the operational promotion of the establishment, operation and development of a regionally coordinated congestion management and capacity allocation mechanism in the 8<sup>th</sup> Region, as required by Regulation (EC) 1228/2003.

More in particular the Secretariat provided support to the setting up of a Coordinated Auction Office (CAO) via giving administrative assistance to two dedicated groups, namely:

- CAO Project Team Steering Committee as group of TSOs and

- the CAO Implementation Group established under the umbrella of the ECRB and bringing together regulators, traders and network operators.

In the period from 1 January to 30 June 2010 the Steering Committee and CAO Implementation Group held two meetings each.

Within the reported period, positive consideration of several TSOs in the region towards concrete commitment along the agreed Action Plan on the establishment of the CAO can be reported. Partially, this is due to the active position of and concrete steps, undertaken by the EC and ECS

However, it is necessary to also underline that despite the clearly stated political will on the establishment of the CAO and the efforts afterwards, still some TSOs are hesitant to support the process.

### **2.3. Promotion of Renewable Energy Sources**

Promotion of renewable energy sources was paid special attention on the ground of most recent developments in the EU legislation (the new RES Directive 2009/28/EC).

#### **2.3.1. RES Study**

The special Study on the Implementation of the New EU RES Directive, launched in 2009, was successfully completed in May 2010, when the RES TF concluded on the acceptance of the final report.

The RES Study reviewed the renewable energy frameworks in terms of policy, legislation, regulations and institutional arrangements to promote RES and identified the further measures needed to meet the requirements of new Directive 2009/28/EC. Another main task of the RES Study was to calculate the mandatory 2020 RES targets for each of the Contracting Parties.

However, due to insufficiency of reliable energy data – particularly on biomass – launching a new study on identifying the biomass consumption for heating mainly in households was proposed as a next step.

The Secretariat has drafted the terms of reference for the Biomass Study in coordination with the European Commission and the draft has been submitted to the Contracting Parties for consultation.

#### **2.3.2. Recommendation on Implementation of the new RES Directive**

The biomass issues delayed a proposal of a draft Decision on the implementation of Directive 2009/28/EC in the Energy Community. In order to start already working on relevant issues for the future implementation of the Directive, a Draft Recommendation proposed by the European Commission, on the ground of the general guidance, has been discussed with the PHLG. PHLG considered and endorsed the draft Recommendation that identified practical steps that can be proposed to the Ministerial Council for implementation including relevant deadlines.

The approach towards Recommendation rather than Decision on implementation was chosen due to the fact that some practical issues can be tackled meanwhile, like as:

- the development of a renewable energy action plan assessing the available potential and opportunities to develop renewable energy sources

- the implementation of the appropriate incentives to support renewable energy – such as support schemes, when appropriate
- the revision of the framework conditions for promotion of renewable energy – the administrative procedures, regulation and codes, grid system issues, guarantees of origin for electricity, heating and cooling as well as certification of installers;
- the implementation of the measures for biofuels sustainability criteria allowing the economic operator to show they comply with the requirements of the Directive;

### 2.3.3. Monitoring on the individual plans for the implementation of the acquis, specified in the Treaty

The monitoring activities of the individual plans continued in 2010 and the results are reflected in the Report on the Implementation of the Treaty prepared for the Ministerial Council meeting in September 2010.

### 2.3.4. Meetings and Training

Renewable Energy Task Force has met twice during 2010 after its first meeting in October 2009.

On 16<sup>th</sup> April 2010, a workshop to present the final results of the RES Study was organized as part of the contractual arrangements with the Consultant.

On 21<sup>st</sup> May 2010, a common meeting with the PHLG was organized to discuss the way forward related to the finalization of the RES Study and the implementation of the new EU RES Directive 2009/28/EC in the Energy Community.

The promotion of and investments in renewable energy were also in the focus during the Investment Conference on Energy Efficiency and Renewable Energy in the Energy Community organized in cooperation with EBRD on 18<sup>th</sup> March 2010.

## 2.4. Activities, related to Security of Supply

The Energy Community Security of Supply Coordination Group so far has not had a meeting on electricity related topics – however, such a meeting is already being prepared as to take place in the autumn of 2010.

The Secretariat continues monitoring the implementation of Directive 2005/89/EC concerning measures to safeguard electricity supply and infrastructure investments. It is planned that the state of play shall be reported in more details at the 18<sup>th</sup> PHLG meeting.

The Contracting Parties revised their Security of Supply Statements in 2009, and new revision, on two years basic, will be required in 2011. However, more concrete support by the Secretariat might be needed in development of the first Security of Supply Statement of Moldova, obligatory for this new Contracting Party by 1<sup>st</sup> May 2011.

## 2.5. Training

On 15<sup>th</sup> April 2010, with the full support of the European Commission - DG ENER, the Secretariat organized a workshop presented the key aspects of the “3<sup>rd</sup> energy

legislative package” to the representatives of Contracting Parties from Ministries, Regulators and networks operators.

## **II. REGIONAL GAS MARKET**

### **1. SUMMARY**

The key objective of the activities in this area is to support the developments in the Contracting Parties, concerning the gas sector, as to achieve fulfillment of the explicit requirements of the Treaty, in particular the implementation of the gas related acquis, as well as to support gradual development of a regional gas market.

In addition, the modalities to update the EU acquis in order to take into account the Third Internal Market Package adopted by the EU in 2009 will be examined.

### **2. ACTIVITIES**

#### **2. 1. Monitoring and supporting activities**

As for electricity, the Secretariat – via missions and work in office - did benchmarking on the institutional, legal and regulatory framework in the Contracting Parties and in the Observers in the context of the requirements of the relevant acquis.

Concrete focus in this aspect during the first half of the year was the support in development of legislation in Former Yugoslav Republic of Macedonia and UNMIK; relevant legislation in Bosnia and Herzegovina, Moldova, Ukraine and Georgia was also particularly benchmarked and analyzed.

In more details, the findings, as well as the undertaken and recommended steps shall be reflected in the implementation report, which shall be presented on the occasion of the Ministerial Council meeting on 24.09.2010.

#### **2.2. Market related activities**

Within the period, Albania received concrete assistance in relation to developing their secondary legislation.

Further to the general proposal for support to all Contracting Parties, following a request by the European Commission, the Secretariat proposed explicit support in improving the gas related market rules to Croatia; however, this Contracting Party so far has not notified on any necessity, in more concrete terms, for this.

### **2.3. Activities, related to Security of Supply**

The Energy Community Security of Supply Coordination Group held the first meeting in September 2009 (in the skirt of the Gas Forum), dedicated completely to the gas issues. The yearly meeting of the Group has been foreseen for October 2010 and would mainly covered electricity related issues.

The Secretariat has monitored the implementation of Directives 2004/67/EC and of the Regulation (EC) 1775/2005 by the Contracting Parties. It is planned that the state of play shall be reported at the 18<sup>th</sup> PHLG meeting.

The Contracting Parties revised their Security of Supply Statements in 2009, and new revision, on two years basic, will be required in 2011. However, more concrete support by the Secretariat might be needed in development of the first Security of Supply Statement of Moldova, obligatory for this new Contracting Party by 1<sup>st</sup> May 2011.

The Secretariat, on behalf of Contracting Parties and upon the invitation by the European Commission, has participated actively in the work of the Gas Coordination Group, established in the EU, according to the Directive 2004/67/EC. In more concrete terms, that reflected in the collecting of update information regard security of supply preparedness and safeguard measures in crisis in the Contracting Parties. Further, the Secretariat, through the participation at the Gas Coordination Group meetings, follows the development of the EU legislation in relation to Security of Supply. However, the new Regulation shall be adopted within the EU in autumn 2010. In that direction, the Secretariat shall prepare relevant materials, to be considered within the Energy Community.

## **III. COOPERATION OF ENERGY REGULATORS WITHIN ECRB**

### **1. SUMMARY**

Recalling that under the Work Programme the key objective of the cooperation of energy regulators within the ECRB is to support the harmonized development of regulatory rules in the Energy Community, as well as to provide platform for exchanging knowledge and developing common best practice solutions for implementing the Treaty in a harmonized way, concrete activities were undertaken within the indicated period.

Acknowledging the need to develop joint efforts on regulatory and ministerial level and recognizing that regulatory activities have to operate within the general energy policy framework, the ECRB has defined a general framework for its activities embedded in the Energy Community Work Program 2010-2011. Starting from this, a more detailed definition of activities has been elaborated and published in the ECRB Work Program 2010<sup>2</sup>.

### **2. ACTIVITIES**

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<sup>2</sup> See [www.ecrb.eu](http://www.ecrb.eu).

According to its Work Program the ECRB activities in 2010 involve:

- Electricity: harmonized wholesale trade licensing, balancing, capacity allocation (CAO), monitoring;
- Gas: monitoring and transmission tariffication;
- Customers: billing, smart metering and electricity distribution tariffs.
- CAO (Implementation Group)

A topic discussed both for gas and electricity is related to regulatory incentives for promotion of new investments. Following the assessment results of the ECRB, a study on detailed possibilities was commissioned by the Secretariat in early 2010.

Related to the ECRB activities the Secretariat has issued a number of studies (some already starting in 2009 but being finished only in 2010) that are developed under the guidance and with contributions of the ECRB working groups. These are:

- Study on the introduction and improvement of electricity service and quality of supply standards (commissioned in 2009)
- Gas distribution tariffs and quality of service assessment (commissioned on 2009)
- Regulatory investment incentives (commissioned in 2010).

The ECRB will report about its 2010 activities in detail in a separate annual report by early 2011.

## **IV. PROMOTING INVESTMENTS IN ENERGY INFRASTRUCTURES**

### **1. SUMMARY**

In the context of promoting investments in energy infrastructure, the Work Programme focuses on activities, aiming at facilitating the investment process in projects of regional value.

Within the period concrete activities were undertaken, based on substantial change of the so far used approach. In concrete, the PHLG at its meeting in March 2010<sup>3</sup> – on the ground of explicit guidance by the Donors' Community and the European Commission – agreed on a short list of infrastructure projects to be followed. On this ground, the Energy Community Secretariat organized several meetings as to provide platform for discussions and identification of needed steps to bring the projects forward.

### **2. ACTIVITIES**

#### **2.1. Maintenance of update of the priority infrastructure project list upon guidance of the Ministerial Council**

On the ground of the activities since the beginning of 2010, separate report has been envisaged for the Ministerial Council meeting on 24.09.2010.

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<sup>3</sup> See [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/INST\\_AND\\_MEETINGS/PHLG/2010/17\\_Mar](http://www.energy-community.org/portal/page/portal/ENC_HOME/INST_AND_MEETINGS/PHLG/2010/17_Mar) for more information.

Given the slow process with many of the investments, it appears that further facilitation is needed for the selected projects. As more focus is needed and following the guidance of the EC and the Donors' Community, a specific approach was proposed as follows:

- Identification of maximum 10 projects from both gas and electricity sectors, based on the criteria explained below, as well the interest of the projects' sponsors to pursue with the investment;
- Description of the current state of play with each project;
- Organization of joint meetings between the project sponsors (companies), the Donors' Community (chaired by the European Commission) and the Energy Community Secretariat;
- Identification of possible obstacles in the projects' way to financing and implementation;
- Looking for solutions to remove these obstacles, and work with the actors involved to implement the solutions;
- Follow up the progress with the relevant parties in the projects and report to the Donors' Community and the PHLG.

In the electricity infrastructure, three projects have been so far selected for stronger promotion and facilitation as follows:

- Interconnection between the former Yugoslav Republic of Macedonia and Albania
- Electricity Interconnection between Serbia (Pancevo) and Romania (Resita)
- New generation capacity HPP "ZHUR" in Kosovo<sup>4</sup>

For the first two, meetings with the incumbent companies, the relevant ministry authorities and the IFIs/donors have been organized, and timetable for activities and milestones were prepared. Applications to the Western Balkans Investment Framework (WBIF) and, respectively, Structural Funds are under preparation. For the HPP Zhur, an invitation to express interest was launched in June 2010 and after the deadline for responses, a meeting with the relevant stakeholders will be organized.

For the gas infrastructure, the following projects were followed and facilitated:

- Serbia – Bulgaria gas interconnector (Nis-Dimitrovgrad –Sofia/Dupnica),
- The Ionian Adriatic Pipeline (IAP), and
- The Adria LNG terminal in Krk Island, Croatia.

For all of them, stakeholders meetings were organized, timetable with milestones prepared; moreover, Srbjagas has applied to the WBIF for the preparation of the feasibility study and Environmental Impact Assessment Study, and the application was approved.

## **2.2. Review of existing investment practices in the Contracting Parties from the perspective of the Treaty, identifying barriers and deficiencies in the market reform, as well as business practices, transparency, fair and equal treatment of investors, including good practices for transparent tendering and procurement of new generation capacities**

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<sup>4</sup> Pursuant to UNSCR 1244

The preparation work for a more comprehensive report has started with (i) questionnaires sent to investors and traders on the perceived barriers, including fees and taxes, capacity allocation methods, etc.; (ii) identification of bottlenecks in certain priority projects and working with the incumbent companies on reducing these; (iii) looking into selected tender documentation and identifying the possible, unnecessary hurdles, (iv) investigating regulatory incentives for cross border projects, etc.

The finding of all this preparatory work will be presented at the next Ministerial Council.

### **2.3. Organization of information exchange and training for the Contracting Parties on development and presentation of infrastructure projects, with a focus on different aspects of financing possibilities on the ground of best practices.**

Under the current work programme, an Investment Conference – Energy Efficiency and Renewable Energy was organized in March 2010, as well as two meetings with the business (dinners formats) with investors from the electricity sector, respectively from the gas sector.

### **2.4. Organization of an Energy Community Investment Conference each year, to discuss progress and review challenges and obstacles in financing and implementing energy infrastructure projects**

The Energy Community Secretariat organized successfully on 18 March 2010 with the European Bank for Reconstruction and Development the Energy Community Investment Conference on Energy Efficiency and Renewable Energy, which took place at the Hofburg Center Vienna<sup>5</sup>. The Conference attracted More than 150 participants, representing 30 different countries. Topics on financing renewable projects and preparation of Nation Plans for Renewable Energy were debated, together with the regulatory aspects introduced by the new Directive on RES 2009/29/EU and their impact on the Energy Community. Financial instruments and best practices for energy efficiency investments in the Energy Community were also presented, and also the key barriers and obstacles to it.

### **2.5. Operational support to the Donors' Community by the Secretariat upon guidance of its Chair in relation to promotion and development of investments along the guidance by the Ministerial Council**

ECS worked with the relevant Contracting Parties and assisted them in preparing applications to the WBIF and in the 3<sup>rd</sup> round, two projects, the CHP project in Kosovo<sup>6</sup> – that is a feasibility study for connecting a steam output of Kosovo B to the DH Plant in Pristina and Tirana to Rrashbull 220KV line upgrade in Albania, together with a substation in Rroghazina. In the 4<sup>th</sup> round, the following projects were approved: (i) the Feasibility Study for construction of new substation Tirana3 for reinforcement of Tirana

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<sup>5</sup> For more information about the Conference please visit: [http://www.energy-community.org/portal/page/portal/ENC\\_HOME/CALENDAR/Other\\_Meetings/2010/18\\_Mar](http://www.energy-community.org/portal/page/portal/ENC_HOME/CALENDAR/Other_Meetings/2010/18_Mar)

<sup>6</sup> Pursuant to UNSCR 1244

Ring;(ii) Energy efficiency measures in public buildings in Kosovo<sup>7</sup>; (iii) Serbia – Bulgaria gas interconnection pipeline.

A donors' meeting was organized back to back with the Ministerial Council meeting in December 2009 and since then, the Donors' project coordinator took part in all project based facilitation meetings that took place in 2010 (five in total).

ECS organized the relevant meetings and prepared the Agenda and the Minutes.

## **V. ENVIRONMENT AND ENERGY EFFICIENCY**

### **1. SUMMARY**

The work, related to this part of the Work Programme, was based on the explicit requirements of the *Acquis*, concerning environment, as envisaged by the Treaty (Article 16) as well as on the adoption of energy efficiency *acquis* in December 2009<sup>8</sup> and the Work Programme of the Energy Efficiency Task Force.

### **2. ACTIVITIES RELATED TO ENVIRONMENT**

#### **2. 1. Monitoring activities**

The implementation of Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment, as amended by Council Directives 97/11/EC of 3 March 1997 and Directive 2003/35/EC of the European Parliament and of the Council of 26 May 2003, and of Article 4(2) of Directive 79/409/EEC of the Council of 2 April 1979 on the conservation of wild birds is subject of assessment in the Implementation Report for the Ministerial Council for its meeting on 24.09.2010. For this purpose, the Secretariat was in contact with the Environmental Ministries in all Contracting Parties.

#### **2.2. Preparation for proper and timely implementation of Directive 1999/32/EEC relating to a reduction of the sulphur content of certain liquid fuels**

The Secretariat developed a Guidance Paper for the implementation of the Directive and presented it for consideration at the first PHLG meeting in March 2010<sup>9</sup>. This guidance contained concrete steps on the major elements of the Directive. In addition, it proposed a common Roadmap for its implementation and pre-implementation. The Permanent High Level Group agreed to use the guidelines as basis of their pre-implementation

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<sup>7</sup> Pursuant to UNSCR 1244

<sup>8</sup> Conclusion 9 of the 7<sup>th</sup> MC meeting - <http://www.energy-community.org/pls/portal/docs/488187.PDF>

<sup>9</sup> [Introductory Note](#)

activities The Secretariat stands ready to assist each Contracting Party in the course of the pre-implementation process.

### **2.3. Preparation for proper and timely implementation of Directive 2001/80/EC of the European Parliament and of the Council of 23 October 2001 on the limitation of emissions of certain pollutants into the air from large combustion plants.**

The Permanent High Level Group in March invited the Secretariat to take a similar approach with respect to the Large Combustion Plants Directive as it did with respect to the Sulphur in Fuels Directive and present its results at the last PHLG meeting in 2010. Both the Large Combustion Plants and the Sulphur in Fuels Directive will be targeted at a Workshop on Emissions Reduction in the Energy Community scheduled for October 2010.

### **2.4. Follow-up activities, concerning the assistance to the Contracting Parties in relation to the usage of the Flexible Mechanism under the Kyoto Protocol, shall be targeted on the ground of the achieved results in 2009<sup>10</sup>**

The Secretariat commissioned a study on CO<sub>2</sub> emissions from power generation in the Energy Community from *SEEC Belgrade*, the results of which are to be expected in October 2010. The study shall make an inventory of the greenhouse gas emissions from electricity generation (incl. CHP) as well as the projected increase by 2020, based on the production forecast. It shall also list potential and actual abatement measures in each Contracting Party. Furthermore, the study shall assess the impact of any agreement following-up on the Kyoto Protocol, taking into account the situation of the Contracting Parties there under. Finally, recommendations for better policy-making shall be made.

## **3. ACTIVITIES RELATED TO ENERGY EFFICIENCY**

### **3.1. Technical assistance to the Contracting Parties in the process of implementation of the three directives shall be provided by the Secretariat and the EETF. This assistance shall be within the duration of the Work Programme, following the decision of the Ministerial Council for the deadlines for implementation**

At the 7th Ministerial Council meeting in December 2009, the Ministerial Council adopted its Decision No. 2009/05/MC-EnC on the implementation of certain Directives on end use energy efficiency, namely:

- Directive 2006/32/EC on energy end-use efficiency and energy services;
- Directive 2002/91/EC on the energy performance of buildings and
- Directive 92/75/EEC and the implementing Directives on the indication by labeling and standard product information of the consumption of energy and other resources by household appliances.

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<sup>10</sup> See Task VI.5 of the Work Programme 2008 – 2009.

The overall deadline for the transposition of the Directives is 31 December 2011, except for the Energy Efficiency Action Plans, which are: a first EEAP not later than 30 June 2010; a second EEAP not later than 30 June 2013; a third EEAP not later than 30 June 2016. Also, in accordance with Article 3(4) of the above mentioned Decision each Contracting Party shall prepare by 30 June 2010 a label design based on the template annexed to the respective Implementing energy labeling Directives and translated into the official languages (done so far by Croatia, Montenegro, Serbia and UNMIK).

In order to smooth the progress of the work in this area, the Contracting Parties' Energy Efficiency Task Force members (with exception of the Bosnia and Herzegovina and Moldova) prepared road maps in the 2nd quarter of 2010, which gives confidence that the transposition and the implementation is progressing and will be monitored and reported to the ECS regularly. The Energy Community Secretariat supported this process by preparing template for Roadmaps, as well as reviewing the draft Road maps with a purpose to support Contracting Parties with recommendations on how to improve these in order to be in compliance with the Directives.

The Contracting parties are currently in different stages of transposition and implementation of the recently adopted Energy Efficiency Directives. Regarding primary legislation, Croatia is most advanced, followed by Montenegro that adopted the Energy Efficiency Law in April 2010; Albania, Former Yugoslav Republic of Macedonia, Serbia and UNMIK have laws in drafting phase that are expecting to transpose the Directives; In Bosnia and Herzegovina, the progress is not yet visible. During first half of 2010 Secretariat supported development of the energy efficiency primary legislation by providing comments and performing thematic Country missions in the Contracting Parties (former Yugoslav Republic of Macedonia, Montenegro, Serbia, UNMIK).

**3.2. Operational support shall be provided by the Secretariat with the support of the EETF on the implementation of the National Energy Efficiency Action Plans (NEEAP) as adopted. Further, support on development of NEEAP for the period 2011-2014 shall be also planned**

The work of the Energy Community in this area was strongly backed up by the work of the Energy Efficiency Task Force (EETF), established in 2008 and with mandate extended by the end of 2010. The new mandate is defined by the Work Programme 2009-2010 that includes tasks related to the Finalization of the 1st National Energy Efficiency Action Plans (NEEAPs), as well as Monitoring of the implementation of the NEEAPs;

A First (draft) NEEAPs were prepared and submitted to the Secretariat by the Contracting parties' EETF members (with exception of the Bosnia and Herzegovina and Moldova), and in accordance with the EETF Work Programme. The Secretariat commented on the draft versions of the NEEAPs and prepared extensive preliminary assessments for each submitted draft NEEAPs, so that the final versions would fully comply with the requirements of the Directive 2006/32/EC. A final NEEAP were submitted by former Yugoslav Republic of Macedonia and UNMIK before deadline of 30 June 2010. For Albania, Montenegro and Serbia process of finalisation will be finished soon, and for Bosnia and Herzegovina and Moldova there is a plan to finalise work on NEEAPs by the end of 2010. In the case of Croatia, 1<sup>st</sup> NEEAP was prepared in advance and adopted by the Government in April 2010;

After finalization of the NEEAPs, concrete operational support on the implementation of the National Energy Efficiency Action Plans (NEEAP) will start, including also monitoring of the implementation process and verification of the energy savings achieved.

### **3.3. Training on the key requirements of the three directives, related to energy efficiency, shall be considered**

At the two EETF meetings organized in February and in June 2010, a set of capacity building presentations dealing with the implementation of the energy efficiency directives, included:

- Implementation of the Energy Efficiency Directives in the Energy Community - presentation of the Road Map template and requirements of the energy efficiency directives (Energy Community Secretariat);
- Summary Report on the Roadmaps for the implementation of the energy efficiency directives (Serbian EETF member as Task Leader);
- Successful example of Austria in the implementation of the Energy Performance of Building Directive (Austrian Energy Agency);
- Preliminary assessment of draft NEEAPs (Energy Community Secretariat);
- European Commission Measurement and verification of energy savings in the scope of Directive 2006/32/EC (European Commission, Joint Research Centre);
- “Croatian approach for NEEAP monitoring & verification” (Croatian Ministry of Economy, Labour and Entrepreneurship);
- Energy efficiency support mechanisms active in the Western Balkans (IFI Coordination Office).

The Energy Community Secretariat organized (in cooperation with GTZ Open regional Fund – Energy) a workshop on the project “Capacity Building for the Monitoring, Verification and Evaluation Systems of the Energy Efficiency Policies in SEE countries” that was held at Energy Community premises on 22nd of February 2010. Presentations on energy statistics, legal framework and institutional setup as preconditions for establishing M&V&E platform were also included.

### **3.4. Development of raising awareness campaigns shall be considered in line with the concrete concept as elaborated by the Energy Efficiency Task Force**

The development and implementation of the awareness raising campaigns will be building upon the model Communication and Awareness Raising Campaign plan, prepared by Croatia; this could be used by all Contracting Parties, with a concrete example of the Campaign currently implemented in Croatia. The Plan was presented at the 6<sup>th</sup> EETF meeting in May 2009, and the Task Force members have agreed to use this as a model.

At the 8<sup>th</sup> EETF meeting in February 2010 all Contracting Parties presented mid- term results on implementation of the Communication and Awareness Raising Campaign plan. The work is progressing, with developing national energy efficiency campaigns or communication strategies.

At the next EETF meeting planned for 3 November 2010, each Task Force member will prepare a short report with the Campaign Plan and implementation activities.

**3.5. Promotion of schemes for financing energy efficiency measures shall be organized by the Secretariat within the first half of 2010 as to provide forum for dissemination of best practices.**

In the Energy Efficiency and Renewable Energy Conference, March 2010, topics on financing renewable projects and preparation of Nation Plans for Renewable Energy were debated, together with the regulatory aspects introduced by the new Directive on RES 2009/29/EU and their impact on the Energy Community. Financial instruments and best practices for energy efficiency investments in the Energy Community were also presented, and also the key barriers and obstacles to it.

Also, at the 9th EETF meeting in June 2010, the Office for IFI Coordination presented energy efficiency support mechanisms active in the Western Balkans. EC financed project "Support to IFI Coordination in the Western Balkans and Turkey" identified and presented 27 funds available in Western Balkan for EE Financing, of which 9 regional funds, and 18 country-specific ones. Total funding available is 1.4 billion euro. This includes TA and financial schemes such as credit lines/IFIs, bilateral donors and commercial sources. EC will continue together with the Secretariat to develop supporting schemes to ease access to these funds and distribution of information. One of the next steps will be to organize jointly in November 2010 awareness raising event on the available Energy Efficiency support mechanisms.

## **VI. SOCIAL DIMENSION**

### **1. SUMMARY**

It is evident that the issue of the social consequences of the reforms in the energy sector becomes more and more important in the Contracting Parties. Thus, although within a relatively short period, covered by the current Work Programme, some key activities were undertaken within the Energy Community<sup>11</sup> and others are planned.

### **2. ACTIVITIES**

#### **2.1. Monitoring for the implementation of the Social Action Plans shall be provided by the Secretariat once a year. Concrete forms of assistance shall be discussed with the social partners of the relevant Contracting Party along the key findings**

Following the recommendations of the Memorandum, and with guidance of the Energy Community Secretariat, starting the second half of 2008 each Contracting Party had to prepare Social Action Plans, following a template discussed at the Social Workshop in May 2008.

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<sup>11</sup> See also item B.III of this report.

At the date of this report, all Contracting Parties (with the exception of Moldova that only joined the Energy Community in May 2010) have prepared Social Action Plans.

Some Contracting Parties: Bosnia and Herzegovina, Croatia, former Yugoslav Republic of Macedonia, Serbia have approved these at the government level; Albania has approved it at this stage at the level of National Council of Labor – however, it is planned that the plan will be also approved by the Council of Ministers; in Montenegro and Kosovo<sup>12</sup> the social action plans will be approved at government level, in the coming months.

The Social Action Plans tackle all the areas of Public Service Obligations, Social Partners- Social Dialogue, Management of Change, and Social Dimension with various degree of emphasis, etc.

**2.2. The Secretariat shall organize annually the Social Forum as a discussion platform in line with the Memorandum of Understanding on Social Issues in the context of the Energy Community. Particular focus shall be paid to the issue of vulnerability, taking note of real time consequences**

The ECS organized each year a Social Forum. The 3<sup>rd</sup> Forum (June 2010, Skopje) discussed again the topic of energy vulnerability, Public Service Obligations and best practices and measures to protect customers; the initiative of former Yugoslav Republic of Macedonia to develop a program for reduction of the energy poverty was most welcomed and other Contracting Parties were invited to use the lessons learned from the preparation and implementation of such a Plan. ECEB Customer Working Group continues to work on the quality of services in electricity and gas and presented the results to the Forum.

The issues of consumers' rights and handling their complaints has become a topic of interest for the Forum and ERGEG presented its approach to solving problems; the Forum encouraged the Contracting Parties to further develop this area in their legislation and business practice, building on the experience of the EU Members States. It also recommended the Contracting Parties to pay due attention to these issues when implementing their Social Action Plans.

**2.3. Assistance to the Contracting Parties and monitoring for the implementation of Article 3 of Directive 2003/54 EC and Article 3 of Directive 2003/55 EC shall be provided along the overall monitoring activities, performed by the Secretariat**

The Secretariat has monitored the implementation of the Article 3 of the Directives 2003/54/EC and 2003/55/EC, as integral part of the implementation of the relevant gas acquis within the Treaty, by benchmarking the relevant legislation. More concrete support has been provided to the Former Yugoslav Republic of Macedonia, during the support in development of the amendments to existing Energy Law.

**2.4. Organization of training sessions on the key requirements of the scope of the social dimension with focus on dissemination of good practices**

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<sup>12</sup> Under Resolution 1244 of the UNSC.

From the analysis of the Social Action Plans and the conclusions of the first three Fora, it seems that there is a strong need for **capacity building and training** with respect to:

- *Vulnerable customer and their protection*; the work undertaken by the Customer Working Group of the Energy Community Regulatory Board is opportune and timely. Nevertheless this group is focusing on the regulatory aspects of tariff setting and public service obligations. The Social ministries will have to prepare safety nets and address the possible energy poverty with policy measures in line with the European models and in respect for the requirements of the Energy Community for market reforms. A training workshop on how to identify the vulnerable categories, and how to design policy measure that are targeting these will be organized in the 1<sup>st</sup> Quarter of 2011;
- *Restructuring the energy sector and management of change*; a possible series of TAIEX missions to present the EU best practices to the managers of the energy companies from the Contracting Parties will be discussed with the responsible actors for the management of TAIEX funding;
- *Implementation of the Social Action Plans*: Preparation and dissemination of the Best Practices with respect to Social Dialogue in the course of 2010 and 2011.
- At the 3<sup>rd</sup> Social Forum, the European Commission – DG EMPL pledged to organize one TAIEX financed *seminar on the practical dimension of implementation of labor law provisions and issues connected to management change*.

This respectively outlines the focus of attention in the Energy Community context, which shall be respectively considered in the work of the Energy Community institutions.

## VII. OIL DIMENSION

### 1. SUMMARY

Although the work along developing the Energy Community has relatively recent basis, it is progressing on the ground of concrete considerations. The adoption of a new Oil Stocks EU Directive in 2009<sup>13</sup> did not change the concept of work, but changed the basis for consideration.

### 2. ACTIVITIES

#### **2.1. The second and third edition of the yearly Belgrade Oil Forum should serve as an efficient instrument for promoting cooperation in the oil sector along the frame, outlined by the relevant Ministerial Council decisions**

On the ground of the excellent cooperation with EC and the IEA, the second Oil Forum (scheduled for November 2010) is planned to focus on concrete implementation aspects of the *acquis*. The preparatory work has started and will target the current situation in oil stockholding policy and emergency response, medium-term outlook for oil markets in the region, progress infrastructure projects that could improve the security of oil and petroleum product supply for members and observers of the Energy Community, safety

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<sup>13</sup> [Council Directive 2009/119/EC](#) imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products

in oil operations (upstream and downstream), increase of oil domestic production and refining investments. The role of biofuels as part of renewable energy, quality of petroleum products and environmental aspects of the oil related activities shall be also considered. Participation of high-level representatives from governments, international organizations, public and private oil companies, investors, international financial institutions and donors is envisaged.

**2.2. For the implementation of Title II of the Treaty in relation with the oil sector, the relevant elements of the Acquis Communautaire and their timetable for implementation will be identified and proposed in view of a Ministerial Council decision during the first semester 2010**

In consideration of the performance of this task, and following the EU developments, the Secretariat – in cooperation with the IEA, EC and HANDA (the Croatian Oil Stocks Agency), organized a special workshop in May 2010, which provided concrete analysis of the current state of play in the Contracting Parties on the ground of the IEA and EU experience.

A key conclusion, which was reached during the discussions, was that at this stage a move towards the implementation of the new Oil Stocks Directive by the Contracting Parties shall be premature. Further, the necessity of explicit Regional Emergency Oil Stocks Study was recalled.

On this ground, the Energy Community Secretariat reported to the PHLG in June 2010 that development of a common emergency oil stocks policy within the Contracting Parties of the Energy Community is a prerequisite for strengthening the common security of supply approach. Substantial differences between the Contracting Parties, on the one side, and the necessity to streamline the further work on both national and regional level, became clearly evident also during this meeting.

The Energy Community Secretariat noted to the PHLG that preparatory steps in each of the Contracting Parties and Observer Countries for easier implementation of Directive 2009/119/EC are needed in parallel with the work on an Oil Stocks Study.

However, the inclusion of Council Directive 2009/119/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products on the list of applicable acquis in 2011 shall be a key target for the further activities within 2010 and 2011.

## **VIII. SUPPORT AND CROSS-CUTTING ACTIVITIES**

### **1. SUMMARY**

It should be recalled that the key objective of these activities is to provide sufficient information as a background of relevant decisions by the competent Energy Community institutions as well as to facilitate the necessary steps by the Contracting Parties allowing adequate implementation of the Treaty provisions. Further, the aim is to provide additional steps for promotion of competition along the Treaty requirements, to raise more Energy Community awareness and to provide necessary administrative and organizational support as to ensure efficient performance of the tasks.

## **2. ACTIVITIES**

**2.1. A particular attention is paid to the regular reporting as to reflect the proper implementation of the Treaty. Further to its explicit requirements (e.g. Articles 52, 67), the Ministerial Council also has identified the issue of the monitoring process for following the obligations under the Treaty to be of crucial importance. In this aspect, the relevant analytical work of the legislative framework of the Contracting Parties has been also explicitly envisaged as a follow-up of the already established traditions in this aspect. As a standard approach, the Secretariat shall be ready to target the implementation of the acquis with thematic focus at each meeting of the PHLG and the Ministerial Council**

Besides several reports focusing on certain aspects of Treaty implementation and presented at several PHLG meetings, the Secretariat prepared its Annual Implementation Report to be submitted to the Ministerial Council in September. The Report covers all areas under the Treaty and assesses the state of implementation in all Contracting Parties, including sections on progress made in 2009/2010 and the overall state of compliance.

**2.2. The Secretariat shall continue providing technical assistance to the Contracting Parties in their work to prepare or update national primary and secondary energy legislation for compliance with the Treaty, as well as Market Rules (upon request of Contracting Parties)**

The Secretariat, in October 2009, adopted a new internal coordination procedure. Among other things, this includes a routine for comprehensive compliance reviews on draft legislation presented by the Contracting Parties in all areas of the acquis. Applying this scheme, the Secretariat prepared and sent several compliance reports on draft legislation to the Contracting Parties. In the majority of cases, this was followed up by extensive explanations and discussions on certain aspects of the respective pieces of law.

**2.3. In the area of competition in the context of the Treaty, compliance of the institutional legislative framework of the Contracting Parties with Article 18 of the Treaty and its proper implementation shall be targeted**

The Secretariat continuously monitored the implementation of the competition acquis, focusing not only on the substance of the laws on competition and State aid, but also on procedural efficiency and case law in the energy sectors. Competition and State aid law plays an increasing role in the Secretariat's activities in reviewing Contracting Parties' legislation and market models as well as in enforcement. A special focus in 2009 was on the effectiveness of State aid enforcement in the electricity sector, where the Secretariat in 2009 commissioned a comprehensive review to two law firms, Hunton&Williams and Eisenberger&Herzog. The results of the study are to be expected in autumn 2010 and complemented by a workshop on State aid enforcement. The Secretariat is currently also preparing enforcement actions against those Contracting Parties which have not yet adopted State aid legislation.

**2.4. Clarification on the Dispute Settlement Rules for the competent authorities of the Contracting Parties shall be envisaged. The Secretariat – upon relevant agreement - shall organize presentations for governments, business associations and – to the extent necessary – judiciary institutions**

The Secretariat addressed dispute settlement not only in the context of concrete cases, but also frequently and regularly addressed the need for enforcement and explained the possibilities envisaged by the Treaty at institutional meetings, during country missions, visits to the Secretariat, business events and conferences throughout the period covered by the Work Programme.

**2.5. As to facilitate the Treaty implementation, the Secretariat shall continue the work for development of a common approach for and utilization of energy statistics for the purposes of the Treaty. On the ground of an agreed unified approach towards collecting needed information as to facilitate effectively the decision making process, concrete training shall be provided. This will allow efficient operation with available data among all Parties. These issues shall be targeted periodically separately for electricity, gas, oil, energy efficiency and renewables. The EU and the IEA experience shall continue to be used as a key background.**

Further to the activities in 2009, the Secretariat, strongly supported by the European Commission, organized the Second Energy Community workshop on statistics on 15.06.2010 in Vienna. Besides, the launched study on statistics is being developed as planned.

As to facilitate the Treaty implementation, the Secretariat shall continue the work for development of a common approach for and utilization of energy statistics for the purposes of the Treaty. The recommendations of experts, producers and users of energy statistics who took part in the Statistical Workshop reaffirmed this approach and common platform and defined priorities of common interest for next steps<sup>14</sup>. On the ground of an agreed unified approach towards collecting needed information as to facilitate effectively the decision making process, concrete training shall be provided within the commissioned study on “Energy statistics in the Energy Community: Benchmarking of energy statistics; Assessments of administrative capacity and resources and drafting road map on the Energy Community level”. The draft final report shall be presented in September 2010. This report will include a road map, with specific activities and timetables on the Energy Community level to bring energy statistics in line with the agreed common platform. This will allow efficient operation with available data among all Parties. These issues shall be targeted periodically separately for electricity, gas, oil, energy efficiency and renewables. The EU and the IEA experience based on their unified definitions, methodologies and procedures shall continue to be used as a key background.

**2.6. Further, concrete steps towards implementation of the Generally Applicable Standards of the European Community as adopted by the Ministerial Council (Conclusion 2, Annex 1 point 6 – Ministerial Council meeting on 29th June 2007)**

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<sup>14</sup> Conclusions from the Second Statistical Workshop are available at: <http://www.energy-community.org/pls/portal/docs/646181.PDF>

**are planned to continue. This concerns monitoring and operational support on the implementation of the developed national plans for bringing the Contracting Parties' Network Energy Sectors into line with the Generally Applicable Standards of the European Community and their consequent implementation**

No concrete activities were undertaken within the first half of 2010. However, the Secretariat was notified that a key problem remains the financial coverage of the translation of the relevant standards. Thus, the checked operationally whether some financial support can be provided by the Donors for the translation; however, no positive results can be reported.

**2.7. In relation to the support for mutual recognition of licenses, the Secretariat shall support the needed steps in this direction. An initial report shall be prepared as to reflect the current situation. The report shall be presented to the Ministerial Council with proposals for the necessary measures as to further support the process**

The topic on mutual recognition of licenses was presented and discussed at the common PHLG – ECRB meeting, initiated by the Energy Community Secretariat, which took place on 30.06.2010 in Vienna.

**2.8. The Secretariat, under the guidance of the European Commission (being mandated by the Ministerial Council to coordinate the work with the Observers), shall continue to provide technical assistance to the Observer countries as to support them to follow the Treaty requirements. This assistance shall be provided on the ground of the specified key areas of necessary assistance following the main requirements of the Treaty. The findings shall serve for planning and performance of concrete activities**

On the request by the Georgia' authorizes, the Secretariat launched the mission, analyzing the state of play of energy sector and eventual gap which shall be overcome if Georgia apply for the full membership to the Energy Community. The Secretariat also continued to provide assistance to the Ukraine on its way to accession (directly and indirectly through the European Commission).

**2.9. As the achievements of the Energy Community on the one side and the requirements of the Treaty as international law need permanent promotion and clarifications, the Secretariat shall target concrete activities, contributing in these directions. This will be done via, inter alia, active links with the other national and international institutions, with municipalities (e.g. energy efficiency), with the business representatives etc.**

As regards the liaising with international organizations, the 1<sup>st</sup> half of 2010 brought about a deepening of the co-operation with the Organization for Security and Co-operation in Europe (OSCE). Ministry Fatmir Besimi, in his function as presidency in office, together with the Director of the Secretariat addressed the OSCE Parliamentary Assembly at its Winter Session in Vienna on 19 February 2010. The Director also acted as a speaker at the OSCE Energy Security Conference in Turkmenistan on 3-4 May 2010.

The 2<sup>nd</sup> Vienna Energy Club<sup>15</sup> meeting, which brings all the eight energy related international organizations with a seat in Vienna together, took place on 16 February 2010. A representative of the International Energy Agency acted as a key note speaker. The 3<sup>rd</sup> meeting is planned to take place in autumn 2010.

With reference to the OSCE Parliamentary Assembly, raising awareness of parliamentarians across the region poses a defined objective for 2010. In 2009, the Secretariat organized, jointly with the Regional Co-operation Council, a workshop to the national law makers in Belgrade and Sarajevo. On 25 June 2010, a similar workshop was organized in Tirana. Whilst the workshops outline the modus operandi of the Energy Community, also the most pressing policy issues at the national level are being addressed. The series of workshops will continue in the 2<sup>nd</sup> half of 2010.

Following invitation by the European Energy Forum, the Director of the Secretariat addressed as a guest speaker members of the European Parliament in the context of European Energy Forum dinner debate on 4 May 2010 in Brussels.

In the area of energy efficiency, further and stronger cooperation with the Network of Associations of Local Authorities in South East Europe (NALAS) was already considered. At the Energy Community Investment Conference (March 2010), as well as at the 9<sup>th</sup> EETF meeting (June 2010), NALAS was invited to present NALAS area of work, energy efficiency measures in SEE municipalities, with the particular attention to the activities of the NALAS Task Force on energy efficiency and the findings from the recently finalized Study “Energy Efficient Measures in South-East European Municipalities and the Role of National Associations and NALAS”<sup>16</sup>. Also, NALAS initiative aimed at extension of the Covenant of Mayors to IPA countries is welcomed and supported as very important step toward fully involvement of the SEE local authorities in the promotion of the energy efficiency.

An official meeting between the Energy Community Secretariat and NALAS is already scheduled for 23.09.2010.

**2.10. The cross – cutting activities include especially the organization of the meetings of the institutions set under the Treaty and concern the Ministerial Council, the PHLG, the ECRB, the Athens Forum (electricity), the Maribor Forum (gas), the Social Forum and the Oil Forum, as well as other events according to the Energy Community calendar.**

So far, within the first half of 2010, more than 25 events have been organized by the Energy Community Secretariat. More than 20 events are pending by the end of the year.

## **C. CONCLUSIONS**

At this early stage of implementing the biannual Energy Community Work Programme for 2010 – 2011 it is hardly possible to make principle conclusions. However, the current

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<sup>15</sup> Following the initiative of the Energy Community Secretariat in 2009, the Vienna Energy Club was established as informal meeting format of all Vienna based international organizations, which focus on energy. Currently, the Vienna Energy Club is chaired by the Director of the Energy Community Secretariat.

<sup>16</sup> The study is available on the NALAS web site: <http://www.nalas.eu>

status of implementation of the Work Programme of the Energy Community indicates some trends.

Thus, in general, the envisaged tasks are performed as specified. There are no particular areas of concern related to the full implementation of the Work Programme.

Where necessary, the performance of the tasks is sufficiently backed up financially, which is one of the major prerequisites for success.

On this ground, it might be concluded that the Work Programme of the Energy Community represents a solid basis for promoting and achieving the objectives of the Treaty establishing the Energy Community.