

EXPLANATORY MEMORANDUM ON THE ENERGY COMMUNITY BUDGET 2014-2015

1. INTRODUCTION

This Explanatory Memorandum on the draft budget 2014-2015 has been prepared by the Director of the Energy Community Secretariat as required under Article 30 of the *Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* (thereinafter: *Budgetary Procedures*). The budget preparation followed the requirements of the *Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* (Ref.: Procedural Act No. 2006/03-MC-EnC of 17 November 2006) (hereinafter "Budgetary Procedures"), and in particular of Title V thereof. Experience in the budget implementation in the previous years has been also taken into consideration.

According to Articles 74 and 88 of the Treaty, the biannual budget 2014-2015 is to be adopted by the Ministerial Council – upon proposal by the European Commission – by unanimity at the meeting late 2013.

This document contains the following:

- (1) Summary of budgetary assumption that guided the preparation of the budget¹;
- (2) Outline of the work program of the Energy Community and key characteristics of the budget 2014-2015;
- (3) Budget structure and description of the budget lines;
- (4) Budget 2014 and 2015 in details;
- (5) Institutional split of the budget for the years 2014-2015;
- (6) Statement of revenue for the years 2014-2015;
- (7) Statement of expenditures for the years 2014-2015;
- (8) Establishment plan;
- (9) Salary scale.

¹See Art 30 of the Budgetary Procedures

2. BUDGETARY ASSUMPTIONS USED FOR MID-TERM PLANNING 2014-2015

In the preparation of the budget of the Energy Community for 2014-2015 it was assumed that the activities and operations under the Energy Community Treaty will continue, subject to the assumed changes identified below. Seven years after its entry into force, the Treaty establishing the Energy Community, its institutions and the work performed by them has continued to increase in intensity and the level of professionalism. Maintenance of this level is the minimum assumption for the present proposal. Continued horizontal and support services provided by the Secretariat are of crucial significance but will not be further reflected in this proposal.

The following additional assumptions were made in the mid-term projections of expenses required for the operation of the Energy Community. They will be elaborated in more detail in Chapter III of this proposal.

- Potential enlargement of the Energy Community.
- Potential new areas of work for the Energy Community;
- A more intensive use of the dispute settlement mechanism is essential in improving the implementation record by the Contracting Parties;
- More intensive activities in most - if not all - areas covered by the Treaty, in particular where new *acquis* has been adopted during 2011 and 2012 (e.g. the Third Package, Renewable Energy Sources, oil stocks and statistics);
- The function of a Deputy Director supporting the Director in streamlining and coordinating the activities of the Secretariat;
- Adaptation of budget for operational expenses, incl. salaries, adapted to the level of actual responsibilities and with an annual inflationary adjustment of 2%² in 2015.

² See mid-term projections by the Institute for Advanced Studies, Vienna [IHS] <http://www.ihs.ac.at/publications/lib/prognose260712.pdf>

3. OUTLINE OF WORK PROGRAM OF THE ENERGY COMMUNITY AND CHARACTERISTICS OF BUDGET 2014-2015

a. Introduction

Within the current budgetary period 2012-2013 the Energy Community has worked intensively towards implementation of the *acquis* under the Treaty in all specified areas (electricity, gas, oil, renewables, environment, energy efficiency, security of supply and competition). As reflected in detail in the Secretariat's annual implementation reports, the Contracting Parties have benefited from support by the Secretariat in implementing the *acquis* through compliance reviews, implementation partnerships, enforcement and negotiations for upgraded legislation, workshops, monitoring etc. The work to be expected from the Contracting Parties, but also from the Energy Community institutions will become even more intensive as the focus shifts from mere *transposition* to true *implementation*, mostly through secondary legislation and regulatory acts. On a third, even more work-intensive layer, the Energy Community will have to get more involved in the application of the rules in individual cases. This includes, *inter alia*, permitting of infrastructure and generation projects, environmental impact assessment procedures for individual projects, the enforcement of competition and State aid law in individual cases etc. All these areas have so far not been sufficiently covered by the Energy Community and require more targeted efforts.

Over the past two years, the Ministerial Council also broadened the scope of the *acquis communautaire* substantially. The Third Package constitutes big implementation challenges in the electricity and gas sectors. The network codes will go into a level of detail for which the Energy Community so far is not well-prepared. The Renewables Directive and the Oil Stocks Directive in the petroleum sector are other cases in point. They will require intensive support by the institutions, and in particular by the Secretariat. The same goes for new *acquis* in energy efficiency, statistics as well as the persisting task of implementing the Large Combustion Plants Directive with its huge impact on the energy sectors and a low degree of preparedness only five years before the expiry of the deadline.

It is to be expected that the process of incorporating new EU legislation in the Energy Community *acquis communautaire* will continue. Besides the guidelines and network codes in electricity and gas (where the PHLG has already committed to swift and quick incorporation once they are adopted within the EU), the infrastructure package recently agreed between EU Parliament and Council is of relevance for the Energy Community. The same goes for the REMIT regulation. For the Gas Security of Supply Regulation, a study is currently preparing the

ground for incorporation. Finally, it may be expected that as sustainability aspects of energy policy are gaining more ground globally. The relatively limited *acquis* on environment under Title II of the Treaty may also have to be reinforced, for example by incorporating the Directive on Strategic Impact Assessment.

The work related to implementation of *acquis communautaire* has always been complemented by work of the institutions on issues of general nature, such as the elaboration of an Energy Community Strategy. Resulting in a list of projects of Energy Community interest, this will trigger an increased need for involvement of the Energy Community institutions in the implementation process, including procedural, legal and financial implications. Another area of the work where the objectives of the Treaty are to be reached is the establishment of a regional market. The Coordinated Auction Office is expected to be operational during 2013. But additional, related to regional market opening and organization, including the establishment of a regional energy exchange, will gain traction in the period 2014-2015. The Energy Community's Gas-to-Power-Initiative may also be expected to bear fruit in that period. In 2012, the Energy Community competition authorities established among themselves and with the Secretariat a Competition Network which is expected to produce tangible results, and hence requires input, in the upcoming years. The Security of Supply Group for both electricity and gas has an ambitious work programme and will be equally crucial for attaining the Treaty's objectives. .

In 2013, Croatia will join the European Union after over six successful years as an Energy Community Contracting Party. At the same time, the newest Contracting Parties, Moldova and Ukraine, still need to be fully integrated into the Energy Community. This remains both a priority and a challenge, given in particular the size of Ukraine, but also the decrease in regional coherence following that enlargement. Georgia's application for membership may extend the Energy Community's borders further to the East.

In view of these challenges and tasks, the proposed overall budget for 2014-2015 is slightly above the level of the budget of the previous period 2012 – 2013. Given the austerity efforts made at EU and national levels, the increase is kept at a very modest level.

b. New position in the Secretariat

Past experience with the Energy Community budget showed that the existing budget level was sufficient for assisting the Contracting Parties in the transposition of the *acquis*. With some exceptions, these rules still date back to the signature of the Treaty. During 2011 and 2012, however, the scope of Energy Community law was extended. At the same time, the Secretariat's

involvement in the reform process has increased. Under the existing *acquis*, this concerns a work-intensive cooperation with Contracting Parties in drafting and implementing appropriate secondary legislation (which will be further intensified by the envisaged swift incorporation of Guidelines and Network Codes in the Energy Community) as well as an ever-growing number of complaints and open infringement cases.

When adopting the "Third Package" and the Renewables Directive, their provisions were adapted in a manner which will lead to an increase in work-load (besides the general implementation challenge, the Secretariat's and the Regulatory Board's role in certification of transmission system operators as well as in exemption procedures are to be mentioned here). The vision to implement the Renewables Directive by 2020 will require expertise, which – if not compensated by a new position – will have to be allocated to the disadvantage of the electricity and gas units in the Secretariat. The gas unit, finally, needs to be enlarged by an additional post if the involvement of the Secretariat in restructuring the gas markets (through gas-to-power, review of contracts against competition rules etc.), enhancing the infrastructure and thus ultimately securing energy supply as well as improving the bad environmental situation caused by high emissions in the Contracting Parties. It is to be noted in this respect that the new Contracting Parties, Moldova, Ukraine and potentially Georgia, are very important in terms of gas markets - not only domestically, but in their relation to the European Union.

Details on the justification of the increase of the staff are presented under the relevant items for Human Resources' expenditures for each of the two years covered by the budgetary period.

c. Other elements reflecting the extension of scope of the acquis

The extension of the scope of the *acquis communautaire* as well as the past and potentially new enlargements of the Energy Community will have an impact not only of the number of staff required by the Secretariat, but also on the **budget for travelling**. Intensive discussions, negotiations and assistance with and to Contracting Parties will be needed to turn the timely implementation of the *acquis*, new and old, into a success. Implementation of the new and old *acquis* will also require a slightly **higher number of meetings** (through workshops and task forces). Recently, the competition authorities of the Contracting Parties set up an Energy Community Competition Network among themselves which is a useful tool to tap the potential of competition law enforcement for market reform and opening. Other areas where (new or more) consultation formats will be needed are Renewables, statistics, oil, infrastructure, security of supply etc.

Given that the *acquis communautaire* in 2014 and 2015 will consist of a relatively high share of new elements, and that this period will be decisive for successful implementation, the budget available for potential **studies and consultancy** should also be slightly increased, as not all technical issues can be covered by the Secretariat's experts equally well, even with an increased number of staff members.

At the same time, past experience shows that certain budget lines and positions have not always been used exhaustively and allow for partial reallocation.

In **summary**, compared with the previous budgetary period, the proposed budget for 2014-2015:

- Implies a slight increase compared to the previous biannual budget;
- Takes into account the increased responsibilities and areas of activity;
- Will allow for an even greater efficiency of the Secretariat and the Regulatory Board for the benefit of the implementation record of the Contracting Parties ;
- Will imply a slight increase in the Secretariat's staff (two (2) expert positions in 2014) (see attached establishment plan 2014-2015).

4. BUDGET STRUCTURE AND DESCRIPTION

The structure of the Energy Community budget 2014-2015 is in principle the same as the one of the budgetary period 2012-2013³.

In the same manner as in the previous years, the expenses estimated for the two years of operations of the Energy Community are divided in four budget lines (*Human Resources, Travel Expenses, Office and Other Costs, Services*) and these further divided in the budget positions (different number in different budget lines). Each of the budget position is further composed of pre-defined accounts that are creating a group of accounts representing certain category of expenditures related of the budget lines. Explanations given under this section are applicable both for 2014 and 2015.

³ In this budgetary period the expenses related to the temporary employment under the schemes of secondment and internship were budgeted for the first time under the HR budget line (and not, as in the previous years, under the BL "Other Costs, Services");

4.1. Budget Line: Human Resources

The organizational structure of the Secretariat for the years 2014 and 2015 is the basis of the proposal. The budget proposed for the Human Resources Budget Line is a result of the following considerations:

- Salaries are based on a new salary scale, applicable as from 1st January 2014 (see attachment 3). The salary levels for the staff members of the Secretariat have been reviewed in view of the experience, to reflect the level of responsibility and actual tasks by category of official and taking into account the inflation expected; the salary scale proposes the salaries by category of staff;
- The salaries of Secretariat's staff are all inclusive monthly remuneration, without any further allowances included;⁴
- In 2015, it is proposed that the salaries are indexed with 2%, compared with previous year, to reflect the inflation expected;
- The position of Deputy Director is created, to be remunerated; this position will be occupied by one of the existing Heads of Unit and will not have any impact on the total number of staff;
- The envisaged increase of the staff [1 new position], as justified in the explanations for year 2014;
- Continued promotion of temporary employments under the schemes of secondment and internship.⁵ Secondment, used as a form of strengthening the administrative capacity of the Contracting Parties, will be also used in the years 2014-2015 to complement the Secretariat's team with specific technical expertise from national administrations and other organisations. Internship aims at supporting staff as well as disseminating the knowledge about the Energy Community and contributing to capacity-building. The financial

⁴A comparison of the employment conditions offered by the Energy Community with another international organizations (seated in Austria and not only) or institutions (EU) shows that the Energy Community has a low level of social responsibility towards its employee, offering only an all-inclusive remuneration package, without any obligations for contributions to any social security schemes (pension/severance fund), and/or offering additional fringe benefits for its employees (like different types of allowance schemes). Further, career path planning (incl. planning of salary increases) for the individual staff is hardly possible due to the size of the Energy Community as an organization (flat structure, limited number of posts, little flexibility of re-appointments within organization, long recruitment procedures).

⁵ For previous budgets, these expenses were included under the budget line "Other costs and services", which was criticized by the auditor in its reports for years 2008 and 2009.

assumptions remain unchanged compared to the previous budgetary period, i.e. the proposed budget envisages funds for 12 man/months for both, secondment and internship⁶;

4.2. Budget Line Travel Expenses

This budget line covers expenses related to all types of travels by the Secretariat's staff on behalf of the Energy Community. It refers mainly to Contracting Parties missions and/or technical assistance for the review of the implementation of the obligations under the Treaty. This budget contains also funds for justified travels linked to the organization and participation of the staff at different meetings, including those of the EnC institutions, as speakers at conferences etc. The proposed budget for the period 2014-2015 reflects also the planned increase in the Secretariat's staff and therefore the increased number of the travels.

In its structure, the budget for travel expenses is planned and composed of two types of expenditures:

- Costs for flights and accidentals and
- Daily Subsistence Allowance (DSA)⁷.

4.3. Budget Line: Office (Expenses)

This budget line includes the following budgetary positions:

- Rent: Following the rent contract signed on 2.10.2008 with the owner of the premises where the Secretariat is located, the monthly rent, at the time of the contract, was fixed in 12,200 EUR, increased in an amount of 1,030 EUR/month, to cover air conditioning extra costs. The contribution of the *Austrian Federal Ministry for Economics and Labor* covers the main rent (currently, in 2013, 13.300 EUR). The proposed budget provides for the funds necessary to cover the extra costs related to the rent of premises, which may be indexed under point 3.3. of the rent contract.
- Office equipment: This budgetary position reflects the gradual increase of the Secretariat's staff as well as the necessity to maintain the equipment (particularly the IT and related office furniture)

⁶ Separate *Rules on Secondees, Interns and locally recruited staff* apply

⁷ The Energy Community Secretariat follows the DSA as published at the EuropeAid Cooperation Office applied also by other international organizations funded by EU
(http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm)

up-to-date to provide maximum security of the working environment, processes and of the processed data. This budget line is composed of the following budget accounts: hardware, software, office equipment and low value assets. The budgeting of the overall expenditure for 2012 follows the IT plan, which estimates the exchange of hardware (staff IT equipment – laptops, printers, and servers in the IT administration area) and corresponding software. It also comprises licenses for the functioning of existing software required for the Energy Community website and for the internal accounting program for the management of the Energy Community accounts.

- Consumables: This budget line comprises the following accounts: fringe benefits, repairs and maintenance, office related daily cleaning by third party, running costs and electricity costs for the premises. It also covers office supplies for the everyday work of the Secretariat and (partially) for (a) the organization of institutional meetings; (b) the work of task forces, and (c) the organization of workshops and other meetings.
- Other Services: The envisaged budget under the budgetary position “**Other services**” reflects the necessary funds for carriers and transport by third parties, postal fees, other operating expenses, fixed and mobile telephone, fax, internet and other means of communications.

4.4. Budget Line: Other Costs and Services

This budget line is composed of the following major budgetary positions:

- Advertising, communications and representation: It covers the work performed within the area of public relations, like publications by Energy Community Secretariat (i.e. publishing of new editions of the Legal Framework Books, Implementation Reports etc.), advertising required either for the purposes of the procurement and/or within the personnel search as well as costs of representation.
- Studies, Research and Consulting: Experience has showed that the technical support from studies is a very useful tool for achieving the Energy Community objectives. The research and consulting shall follow the areas of work as outlined in the Work Program 2014-2015 of the Energy Community and includes funds necessary of execution of studies by the ECRB.
- Costs of outsourced services (IT, payroll etc.): This budget line corresponds to the performance of activities and tasks related to the IT administration (outsourced activity to an external partner), technical maintenance of the website of the Energy Community (in both administrative and

external users areas), as well as the possible lease contracts for goods (like printing machine) as well as for the maintenance of the existing IT solutions within the area of administration, accounting and human resources (data basis for accounting and human resources).

- Costs of Audit, Legal and Financial Advice: This budget line includes funds for the annual external audits as well as minor expenses for outsourced payroll services. Slightly increased fees of the audit of the annual accounts as well as related advice are also taken into consideration.
- Financial services: it covers bank and transaction fees within the area of payment.
- Costs of Events: This budget line covers the expenses related to the organization of all regular and *ad hoc* events, that might be for the following: renting of premises and equipment, catering, technical arrangements, etc,
- Refunding: It covers the travel expenses related to the participation of representatives of the Contracting Parties and/or Observers in the institutional meetings, workshops and other events organized by the Energy Community Secretariat⁸; implementation of this budget follows a separate set of rules on reimbursement. As a principle, the same since the beginning of the existence of the Energy Community, the costs of transportation and accommodation within predefined ceilings are reimbursed under precisely defined conditions. These conditions (rules) of reimbursement are defined through available budget for the refunding and take carefully into consideration the eligible participation at each of the meetings organised by the EnC/ECS. Due to its budget constraints, the principle of delegate rates (DSA) could NOT be allocated in the budgets of the Energy Community so far.
- Training: This budget position covers the expenses related to (a) the training of the members of the Secretariat staff (training fees); (b) organization of annual team building meetings for the Secretariat staff (e.g. in a format of a "retreat") and (c) grants to representatives of the Contracting Parties for participation in educational events)

⁸ See EnC Event Calendar 2013 at http://www.energy-community.org/portal/page/portal/ENC_HOME/CALENDAR

5. ENERGY COMMUNITY BUDGET 2014 IN DETAILS

5.1. OVERVIEW

The proposed overall Budget of the Energy Community for the year 2014 amounts to EUR 3,448,810. This overall budget contains the following percentage distribution among the budget lines:

- 54% for Human Resources (EUR1.864.010),
- 7% for Travel Expenses (EUR 240,000),
- 6% for Office expenses (EUR 220,000) and
- 33% for Other Costs and Services, incl. Studies, Research and Consulting (EUR 1.124.800).

5.2. EXPENDITURES ON HUMAN RESOURCES 2014

The overall figure under this budget line is EUR1.864.010, which constitutes an increase by 6,5% as compared with 2013 (EUR 1.750.000). This figure is calculated on the ground of the assumption that the overall permanent staff of the Secretariat in 2014 will be 24.

This budget line also includes budget for secondees and trainees calculated in accordance with the estimated duration of the temporary employments of 12 months as well as the remuneration for the Deputy Director.

Compared to 2013, one new position (Gas Market Expert) is envisaged as to provide further support for the activities in these areas. These new position are justified by the scope of the activities of the Energy Community and could not be covered by internal reorganization or outsourcing. Justifications for the new post are presented below:

New position of Gas Market Expert: The gas markets in the Energy Community are likely to change significantly as a result of new supply routes currently under discussion, the impact of new legislation (the Third Package as well as the Renewables Directive) and imminent decommissioning of outdated coal-fired power plants. The Contracting Parties are yet to make the decisive step from transposing the *acquis* to opening the markets. This process is even lagging behind the development in the electricity sector. To keep up with the electricity unit, an additional expert for gas will be instrumental in advising Contracting Parties in how to implement the Third Package and particularly the network codes. He/she would also be involved in important infrastructure projects such as the Gas Ring, and would play a central role in the Energy Community's gas-to-power

initiative. Finally, this new position is required for the successful integration of three major gas markets (supply and/or transit), Ukraine, Moldova and (potentially) Georgia.

5.3. TRAVEL EXPENSES 2014

The overall figure under this budget line is EUR 240.000, which compared with budget 2013 (EUR 244.800) represents more or less the same level of expenditures planned for the assumed increased travels on behalf of the Energy Community.

Given the preliminary implementation of the budget for the entire 2012, which shows the actual daily subsistence allowances expenses 2012 at a level of rounded EUR 67.000, the proposed budget of EUR 102.000 should be enough to cover the travel expenses of the Secretariat, taking into account also the additional staff.

For a description of this budget line, see point 4.

5.4. OFFICE EXPENSES 2014

The proposal takes into consideration the experience so far and the utilization of funds on actual basis in the previous periods, as well as possible adjustments that might arise due to the price increases of the goods and services.

The overall figure under this budget line is EUR 220.000, which constitutes a slight decrease of by 1% as compared with the budget of 2013 (EUR 218.000). It is assumed that the budget as planned for 2013 shall be sufficient even for the increased structure of the Secretariat in 2014 (+ 1 staff member). It takes into account the required upgrade of IT and furniture equipment as well as related office material and consumables.

5.5. OTHER COSTS AND SERVICES 2014

The overall figure of EUR 1.124.800 is the same when compared with the budget 2013 (EUR 1.125.040; difference of EUR 240).

Within this budget line, an amount of EUR 450,000 is being proposed for studies, research and consulting. The concrete needs for potential consultancy will be subject to an additional analysis and information in the course of the preparation of the Work Program.

The budget for the costs of outsourced services (IT related) proposed at the level of EUR 90.000 is 20% below the level of 2013. The proposed level of budget for 2014 takes into consideration the actual utilization of this budget in the previous years.

The budget of EUR 35.000 for costs of audit, legal and financial advice is 14% below the level planned in 2013.

The budget 2014 of EUR 14.600 for the financial services represents an increase by 19 % compared with the 2013 budget.

In 2014, the proposed budget for the organization of events amounts to EUR 183.000 and for refunding EUR 280.000. This proposal respectively, compared with the 2013 budget, reflects the actual utilization of these budget positions.

The proposed budget 2014 of EUR 42.000 for training represents a slight increase by 3% in comparison with the budget 2013 (EUR 40.800) and is reasoned by the actual experience in the utilization of this budget line in the year 2013.

6. ENERGY COMMUNITY BUDGET 2015 IN DETAILS

6.1. GENERAL CHARACTERISTICS

The overall budget proposal of the Energy Community for the year 2015 to EUR 3.517.786, out of which the following distribution among the budget lines applies (in EUR):

- 54% for Human Resources Costs (1.901.290),
- 7% for Travel Expenses (244.800),
- 6% for Office expenses (224.400), and
- 32% for Other Costs and Services, incl. Studies, Research and Consulting (1.147.296).

The proposed budget for 2015 represents a 2% growth when compared to the 2014 budget.

6.2. EXPENDITURES ON HUMAN RESOURCES 2015

The overall figure under this budget line is EUR1.901.290. The indicated figure is calculated under the assumption that the staff of the Secretariat in 2015 will be 24 persons; no new position is envisaged in this year. Compared with 2014 (EUR1.864.010) this budget line shows an increase of 2%, which is being proposed in order to reflect the inflation expected, applicable evenly to all members of the staff.

6.3. TRAVEL EXPENSES 2015

The overall figure under this budget line is EUR 244.800. Compared to the relevant budget for 2014 (EUR 240.000), the funds envisaged for travel expenses for 2015 area at the same level as to reflect the same dynamics in the planned travel activities.

For a description of this budget line, see point 4.

6.4. OFFICE EXPENSES 2015

The overall figure under this budget line is EUR 224.400. The proposed amount is considered to be sufficient for the slightly increased structure of the Secretariat (i.e. number of staff in 2015 is twenty five as well as seconded staff and trainees).

For a description of this budget line, see point 4.

6.5. OTHER COSTS AND SERVICES 2015

The overall proposed budget under this budget line is EUR 1.147.296. An amount of EUR 459,000 is being proposed for **studies, research and consulting**, based on potentially defined areas of consulting that, at the time of preparation of this budget, can only be indicative and provisional. The concrete decision on the list of studies will depend on additional analysis. For a description of this budget line, see point 4.

7. INSTITUTIONAL SPLIT OF THE BUDGET 2014-2015

Article 74 of the Energy Community Treaty states that the *"budget [of the Energy Community] shall cover the operational expenses of the Energy Community necessary for the functioning of its institutions. The expenditure of each institution shall be set out in a different part of the budget"*. This requirement is implemented in the accounting system of the Energy Community and monitored on regular basis (quarterly reporting).

The institutions require for its functioning the budget for the financing/organization of its events as well as for refunding of travel expenses for the participants to those meetings. Since the Secretariat is the only permanent institution established under the Treaty, it employs financial and human resources, therefore the budget lines "Human Resources", "Travel Expenses" and "Office Expenses" refer to the necessary budget for the functioning of the Secretariat only (which, however, includes an ECRB Section with a staff of four). The budget line "Other Costs and Services" however, corresponds to expenses of all institutions, incl. Secretariat. It covers, among others, the costs of organization of events and of participation of the representatives from the Contracting Parties/Observers at those events. Further it contains budget for studies that are of benefit for the functioning of all institutions of the Energy Community (incl. ECRB).

The estimate of the expenditures necessary for the work of each of the institution as referred to in the Treaty is based on the cost of organization of events and the reimbursement of the travel expenses of representatives from the Contracting Parties/Observers in those events.⁹ The budget of each institution includes the required budget for the work of established subgroups; in this context, the budget of the Ministerial Council includes the funds for the work of task forces (energy efficiency, environmental), Budget Committee and of the Security of Supply Group.

The Secretariat's budget includes funds required for the organization of the events and meetings organized by it, as well as refunding of expenditures related thereto (Workshops, Investment Conference, and Competition Network). It is the Secretariat's general policy to refund the travel costs in the course of recruitment associated with the travels of applicants to the job interviews.

The table below provides an overview of the budget envisaged for the functioning of the Energy Community Institutions in the budgetary period 2014-2015. The planning of the expenditures has been based on the actual results of budget utilization for the institutions and/or of its sub-groups.

⁹ The estimate is based in the number of mandatory meetings by institution:

| (in EUR) | BUDGET 2014 | BUDGET 2015 |
|--|----------------|----------------|
| Ministerial Council (incl. Budget Committee, Environmental Task Force, Energy Efficiency Coordination Group and Security of Supply Group) | 100,000 | 102,000 |
| Permanent High Level Group | 45,000 | 45,900 |
| Energy Community Regulatory Board | 150,000 | 153,000 |
| Secretariat (incl. Competition Network, investment conference and other workshops/events) | 68,000 | 69,360 |
| Electricity Forum | 25,000 | 25,500 |
| Gas Forum | 25,000 | 25,500 |
| Social Forum | 25,000 | 25,500 |
| Oil Forum | 25,000 | 25,500 |
| TOTAL | 463,000 | 472,260 |

8. STATEMENT OF REVENUE 2014-2015

The Energy Community budget is funded by Parties contributions established in accordance with the table of contributions annexed to the Treaty establishing the Energy Community¹⁰ (see attachment 2). These Parties' contributions are the Energy Community's **main source of revenue**. It is noted that the *contribution* of the European Union to the budget of the Energy Community – that is the main contributor to EnC budget - is subject to approval of the EU Budget by the EU Budgetary Authority on annual basis.

¹⁰Annex IV, subject to amendments in accordance with Article 73 of the Energy Community Treaty;

Additionally to the Parties contributions, the budget of the Community has **other sources of revenue** that are as follows:

- Donations by the Republic of Austria (contribution to the rent expenses of the Secretariat's premises in Vienna);
- Other revenue resulting from refunding by third Parties (mainly minor refunding of travel expenses of the Secretariat's staff);
- Finance revenue resulting from interest income received for holding of the Energy Community funds at its bank account;

In accordance with Article 48 of the Energy Community *Budgetary Procedures* '*the funds paid to the Energy Community by the Parties shall bear interest for the benefit of the Energy Community budget*'; since the precise amounts of the interest income are known at the end of the financial year, the finance revenue shall be recorded at the beginning of each budget year as '*per memoria*'; These changes on the revenue side shall be mirrored in the related expenditure side of the budget of the year in question. The amendments of the Energy Community budgets are made on annual basis based on the Decision of the Ministerial Council of 6 October 2011 (see: <http://www.energy-community.org/pls/portal/docs/1146184.PDF>).

9. STATEMENT OF EXPENDITURE 2014-2015

The planning of the budget expenditures is based on the principle of equilibrium¹¹, in accordance with which the budget revenue and the expenditure must be in balance. Projections of budget expenditures for the period 2014-2015 followed in accordance with the established budget structure of the Energy Community (i.e. four budget lines divided into respective budget positions). Details are presented in a table format below:

| | | |
|---|-----------------------------|-----------------------------|
| (in EUR) | | |
| | BUDGET 1-12/2014 | BUDGET 1-12/2015 |
| REVENUE | | |
| 1. Contributions from Parties | 3,448,810 | 3,517,786 |
| 2. Finance Revenue | <i>p.m.</i> | <i>p.m.</i> |
| 3. Other Revenue | <i>p.m.</i> | <i>p.m.</i> |
| 4. Donations from Republic of Austria (rent) | <i>p.m.</i> | <i>p.m.</i> |
| EXPENDITURE | | |
| 1. HUMAN RESOURCES | 1,864,010 | 1,901,290 |
| 2. TRAVEL EXPENSES | | |
| Daily Substance Allowances (DSA) | 110,000 | 112,200 |
| Travel expenses (flights and incidentals) | 130,000 | 132,600 |
| Subtotal Travel Expenses | 240,000 | 244,800 |
| 3. OFFICE | | |
| Rent | 15,000 | 15,300 |
| Office Equipment and communications (IT) | 64,000 | 65,280 |
| Consumables | 91,000 | 92,820 |
| Other services (telephone, fax, communications) | 50,000 | 51,000 |
| Subtotal Office | 220,000 | 224,400 |
| 4. OTHER COSTS AND SERVICES | | |
| Advertising, communications, representation | 30,200 | 30,804 |
| Studies, research, consulting | 450,000 | 459,000 |
| Costs of outsourced services (IT, payroll) | 90,000 | 91,800 |
| Costs of audit, legal and financial advice | 35,000 | 35,700 |
| Financial services (bank) | 14,600 | 14,892 |
| Costs of events | 183,000 | 186,660 |
| Refunding | 280,000 | 285,600 |
| Training (internal and external) | 42,000 | 42,840 |
| Subtotal Other costs and services | 1,124,800 | 1,147,296 |
| TOTAL | 3,448,810 | 3,517,786 |

*The expenditure in each year can increase up to the sum of the contributions of the Parties and the other and finance revenue obtained by the Energy Community.

¹¹ See Article 11 of the Budgetary Procedures

Attachment 1: TABLE OF PARTIES' CONTRIBUTIONS IN ACCORDANCE WITH ANNEX IV OF THE TREATY

| Parties | Contribution in % | Budget 2014 Contribution (in EUR) | Budget 2015 Contribution (in EUR) |
|--|------------------------------|--|--|
| European Union | 94.95% | 3,274,500.06 | 3,339,989.87 |
| Republic of Albania | 0.09% | 3,090.87 | 3,152.68 |
| Bosnia & Herzegovina | 0.22% | 7,494.62 | 7,644.52 |
| Georgia | 0.12% | 4,010.81 | 4,091.02 |
| former Yugoslav Republic of Macedonia | 0.10% | 3,542.58 | 3,613.44 |
| Moldova | 0.09% | 2,937.83 | 2,996.59 |
| Montenegro | 0.04% | 1,319.58 | 1,345.97 |
| Serbia | 0.52% | 17,919.61 | 18,278.00 |
| Ukraine | 3.81% | 131,228.55 | 133,853.12 |
| United Nations Interim Administration Mission in Kosovo | 0.08% | 2,765.48 | 2,820.79 |
| | 100.00% | 3,448,810.00 | 3,517,786.00 |

Attachment 2: ESTABLISHMENT PLAN 2014-2015

- 1 Director
[Deputy Director]*
- 2 Assistant to the Director
- 3 Head of Legal Unit
- 4 Energy Lawyer
- 5 Environmental Expert
- 6 Head of Administrative, Financial and Human Resources
- 7 Accountant
- 8 Communication Officer
- 9 Financial and Administrative Assistant
- 10 Webmaster and Publications Officer
- 11 Head of Electricity Unit
- 12 Electricity Expert
- 13 Electricity Expert
- 14 Energy Market Expert
- 15 Head of Gas Unit
- 16 Gas Expert
- 17 Gas Expert – NEW POSITION 2014
- 18 Oil Expert
- 19 Head of Infrastructure and Energy Efficiency Unit
- 20 Energy Efficiency Expert
- 21 ECRB Head of Section
- 22 Event Officer
- 23 ECRB Electricity Expert
- 24 ECRB Gas Expert

* As outlined on page 7, the position of Deputy Director will be occupied by one of the existing Heads of Unit and will not have any impact on the total number of staff.

Attachment 3: SALARY SCALE

| Grade | Level/description | Establishment plan (temporary and short term posts) | | Salary level as of 1/1/2014 |
|-------|--|--|-----------|--------------------------------|
| | | 2014 | 2015 | |
| D1 | Director | 1 | 1 | 12,937 |
| A6 | [Deputy Director*] | | | 8,805 |
| A5 | Head of Financial, Administrative and Human resources [with coordination function] | 1 | 1 | 7,777 |
| A4 | Head of Section/Unit [with line responsibility] | 4 | 4 | 7,044 |
| A3 | Expert | 12 | 12 | 5,900 |
| A2 | Accountant | 1 | 1 | 4,900 |
| A1 | Assistant /Officer | 5 | 5 | 4,318 |
| | TOTAL | 24 | 24 | |

*The position of Deputy Director will be occupied by one of the existing Heads of Unit and will not have any impact on the total number of staff.