REPORT OF THE ENERGY COMMUNITY SECRETARIAT ON UNDERTAKEN STEPS IN THE AREA OF RENEWABLES

I. BACKGROUND

In December 2008, the European Parliament adopted the Climate Change Package, which aims to ensure that the EU will achieve its climate targets by 2020: a 20% reduction in greenhouse gas emissions, a 20% improvement in energy efficiency, and a 20% share for renewables in the EU energy mix.

Following the importance of the issue, as reflected in the Conclusions of the 11th PHLG and 5th MC meetings in December 2008, the Secretariat considered necessary to focus the attention of the PHLG on the undertaken and envisaged steps in relation to the new Renewable Directive.

On this ground, in addition to the proposal for the establishment of Renewable Energy Task Force¹, the Energy Community Secretariat presents the current information on the developments in the context of renewables to the attention of the Ministerial Council.

The information reflects the activities as by 15 April 2009.

II. FORMAL BACKGROUND OF THE ACTIVITIES

1. Discussions by PHLG

During the 11th PHLG Meeting (Tirana, December 2008), the European Commission presented the new Directive on the promotion of the use of energy from renewable sources, which at that time was in final stage of adoption by the EU Institutions. On this ground, possible opportunities for the Contracting parties were discussed.

The Contracting Parties welcomed the provided information and noted that RES is a particular issue for concrete focus in the work of the Energy Community. Therefore, the Secretariat was guided to pay due attention to the issue when developing the Energy Community Work Programme for 2010-2011 as well as to envisage relevant coverage of the topic in 2009.

¹ This proposal is subject to separate elaboration.
Further, the European Commission proposed to PHLG that a study should be carried out in 2009 in order to identify how the new renewable directive could benefit to the Contracting Parties and to consider the creation of a task force on renewable energy, modelled on the existing Energy Efficiency Task Force. Further, due to the importance of the subject, the PHLG considered necessary to foresee an orientation debate at the June 2009 Ministerial Council.

At its 12th meeting, the PHLG welcomed the information, prepared by the Secretariat, on an outline of a Study on the implementation of the new RES Directive. Besides, the PHLG examined the Working Paper on the establishment of a Task Force on Renewable Energy, proposed by the Secretariat, and agreed that it is submitted to the Ministerial Council for its meeting in June 2009.

2. Discussions by the Ministerial Council

In December 2008, the Ministerial Council noted the information, presented by the European Commission, on the new directive on promotion of RES. The ministers welcomed the suggestion of the Commission that a study should be launched in early 2009 as to investigate the impact and modalities of a possible inclusion of the future 'Directive on the promotion of the use of energy from Renewable Energy Sources' in the Energy Community Treaty.

III. THE NEW RENEWABLE DIRECTIVE – SUMMARY INFORMATION

The new Renewable directive lays down mandatory national targets to be achieved by the Member States through promoting the use of renewable energy in the electricity, heating and cooling, and transport sectors in order to ensure that by 2020 renewable energy makes up at least 20% of the EU's total energy consumption. The agreement foresees also that by 2020 renewable energy - biofuels, electricity and hydrogen produced from renewable sources - account for at least 10% of the EU's total fuel consumption in all forms of transport.

In terms of reaching the mandatory national targets, the directive provides the flexibility to use support schemes and measures of cooperation between different Member States and with third countries in accordance with Articles 5-11 of the Directives.

Member States have to adopt, publish and notify to the Commission their National Action Plans to meet the objectives of the directive and shall ensure that authorisation, certification and licensing procedures are simplified to remove barriers in the development of renewables market.

It is for the very first time, when an EU piece of legislation includes the reference to the Energy Community Treaty and envisages measures for cooperation between EU Member States and Contracting Parties for their mutual benefit.

In the Directive’s recital 35 it is mentioned – “If, by virtue of a decision taken under the Energy Community Treaty to that effect, the contracting parties to that treaty become bound by the relevant provisions of this Directive, the measures of co-operation between Member States foreseen in this Directive will be applicable to them.”

In the Article 9 (8) – Joint projects between Member States and third countries provide the opportunity for cooperation to foster the promotion and implementation of renewable objectives in the Contracting Parties – “Member States and the Community shall
encourage the relevant bodies of the Energy Community Treaty to take, in conformity with the Energy Community Treaty, the measures which are necessary so that the Contracting Parties to that Treaty can apply the provisions on cooperation foreseen in the present Directive between Member States.”

According to the Article 100 of the Treaty establishing the Energy Community it is envisaged the possibility to adopt the new part of the acquis communautaire and to agree a timetable for implementation in the Contracting Parties.

IV. STUDY ON THE IMPLEMENTATION OF THE NEW EU RENEWABLE ENERGY DIRECTIVE IN THE ENERGY COMMUNITY – OUTLINE

Following the guidance, provided by the PHLG and the Ministerial Council of the Energy Community, on 13.03.2009, the Secretariat launched a study on the implementation of the new Renewable Energy Directive within the indicated mandate.

The Secretariat decided to apply the Austrian Public Procurement Law and to award the contract through an open procedure. Following publication of the contract notice, interested companies have been invited to submit their tenders by 14 April 2009. On 15 April 2009 at 10.00 a.m. at the premises of the Secretariat, the opening of the tenders took place.

Upon evaluation of the tenders by the Selection Committee, the Secretariat selected the successful bid based on the predetermined award criteria. The relevant contract was signed on 29 April 2009 with IPA ENERGY & WATER ECONOMICS and EPU-NTUA.

The Inception Report will be submitted one month after the signature of the contract, i.e. beginning of June.

1. Objective of the Study

The objective necessity of this study is based on Ministerial Council Decision (Conclusion 5, 5th MC Meeting, 11 December 2008), requesting to identify how the new directive on the promotion of the use of energy from renewable sources could be valuable for the Contracting Parties and Candidate Contracting Parties of the Energy Community and to propose the modalities for a possible further adoption in the Energy Community Treaty. Therefore, a dedicated study is launch to identify the approaches the Contracting Parties could benefit from the new renewable directive.

2. Scope of Work – Tasks Description

Task 1 – Review the current state of development of renewable energy in each of the Contracting Parties and candidate Contracting Parties

- assess the current framework among Contracting Parties and candidate Contracting Parties in promotion of the energy from renewable energy sources (laws, policies, measures and instruments, strategies, institutions, regulations);
- calculate the share of renewable energy sources in the energy mix for 2005 and 2006 for each Contracting Party and candidate Contracting Parties and present a
split per sector (electricity, transport, heating and cooling) and main type of renewable energy in accordance with Eurostat practice;

- assess for each Contracting Party and candidate Contracting Parties the 2020 forecast of total gross final energy consumption. This modelling work should give results for interim periods (such as those specified in the Annex 1b of the new Directive) with a detailed breakdown of results for all sectors of the economy, all renewable energy technologies, under a "business as usual" scenario and under a more ambitious policy scenario. (The analysis should be consistent with that of the European Commission's as represented in the "European Energy and transport: trends to 2030" publication);

- assess for each Contracting Party and candidate Contracting Parties the potential for development of the main renewable energy sources;

Task 2 – Analyse the impact of the new requirements of the Renewable Directive have for the Contracting Parties and Candidate Contracting Parties considering the available renewable energy potential and the provisions for co-operation among EU MS and CP foreseen in the present Directive in terms of:

- potential quantities and costs of renewable energy available under joint projects between third countries and Member States;
- the development of national action plans;
- mandatory national targets, differentiated efforts based on GDP per capita;
- improved Guarantee of Origin System and its relevance to the EU consumer market;
- for the cooperation mechanisms for renewable energy available to Member States and other countries or parties which have implemented the directive;
- administrative procedures, planning reforms, training standards and information requirements;
- and grid system issues including management transparency, the integration of renewable energy and the current and planned interconnector capacity with the EU;

Task 3 – Based on the methodology prepared by the European Commission, calculate targets to be achieved by 2020.

- The calculation of mandatory targets shall be consistent with the EU's need to reach at least a 20% share of renewable energy and the need to ensure all countries jointly using the cooperation mechanisms have ambitious targets that will generate new renewable energy capacity in the country. (Details of the methodology are contained in the annex to the Impact assessment COM(2008)85).

Task 4 – Provide an evaluation of the costs associated with the fulfilment of the mandatory targets referred to under Task 3, assess the investment opportunities, the associated employment possibilities, GHG savings and reduction in fossil fuel consumption.
3. **Project duration**

The time necessary to finalise the above mentioned tasks is estimated for up to 8 months, starting with the signature of the contract with the consultants.

V. **ESTABLISHMENT OF RENEWABLE ENERGY TASK FORCE**

The Secretariat developed its proposal on the establishment of Renewable Energy Task Force and presented it for discussions during the 12th PHLG meeting (17.03.2009, Vienna). The PHLG agreed that it is submitted to the Ministerial Council for its meeting in June 2009.

The proposal envisages establishment of RETF as a flexible mechanism for evaluation of the impact of the new directive on the promotion of the use of energy from renewable sources in the Contracting Parties and candidate Contracting Parties of the Energy Community. Thus, procedurally, the RE TF will investigate and propose the modalities for a possible further adoption of the new Renewable directive within the Energy Community Treaty.

RE TF is expected to build on the existing knowledge, legal and institutional framework in the renewable energy already in place in the region covered by the Treaty in order to facilitate the Energy Community to act in accordance with its Article 35. Furthermore, the Task Force shall use as additional information the one provided via a special study on the impact and modalities for further adoption in the Energy Community Treaty.

VI. **NEXT STEPS**

Based on the study outcomes, the Renewable Energy Task Force will prepare a final report that includes recommendations concerning the modalities for further adoption of the new renewable directive in the Energy Community.

This report shall be presented at the Ministerial Council meeting in June 2010 as basis for further consideration.