



PROJECTS OF ENERGY COMMUNITY INTEREST - A TOOL FOR COOPERATION

INOATE REGIONAL WORKSHOP, 10th December 2015

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The Energy Community Treaty's aim: Create a single market framework within a single regulatory space, to

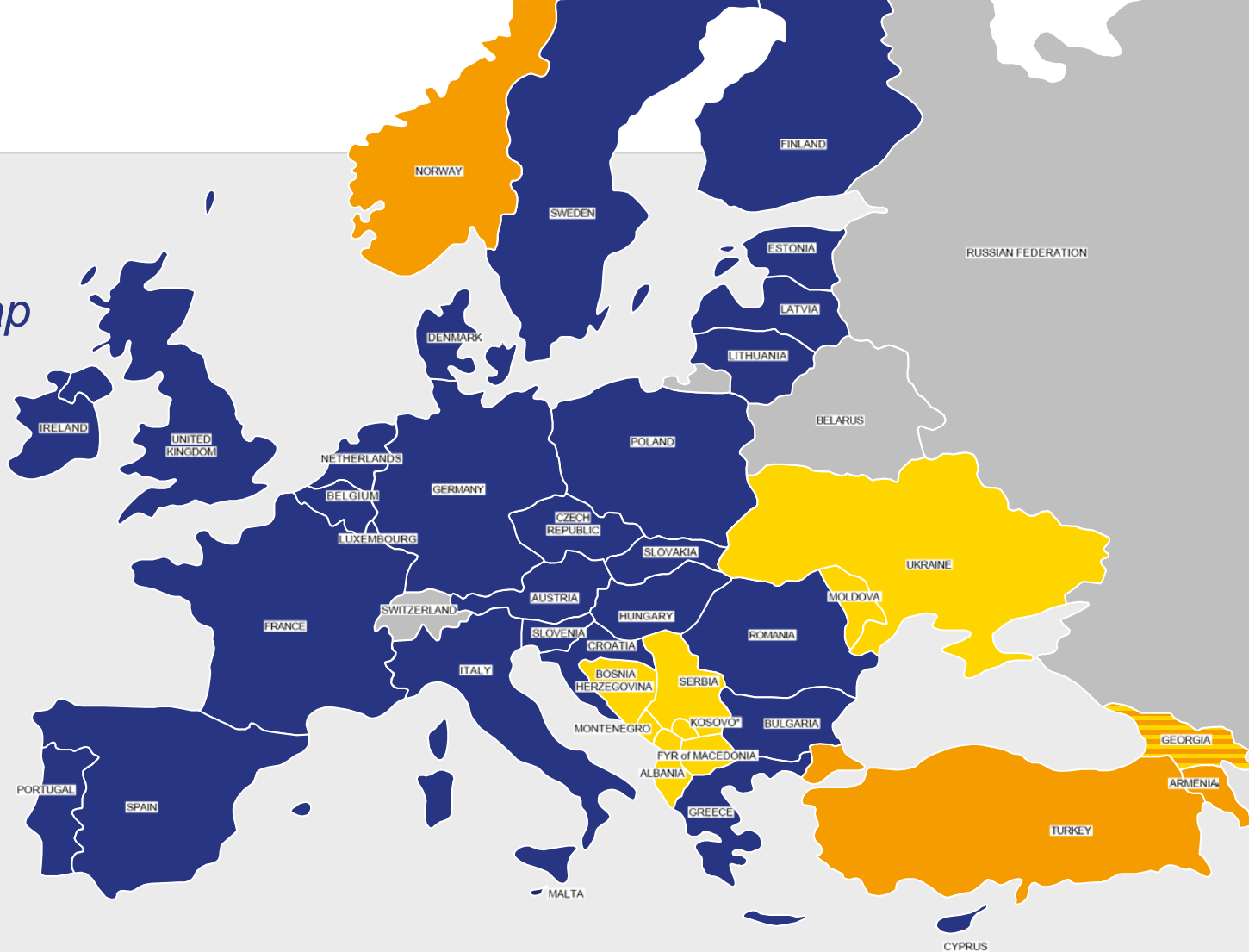
...

- increase energy trade
 - **attract investments**
 - enhance security of supply
 - improve the environmental situation
 - increase competition at regional level
- By means of regional cooperation, and a harmonized legal framework based on the EU *Acquis on energy* (electricity, gas, oil), energy efficiency, renewable energy, environment, competition, statistics, etc.



Energy Community Map

-  European Union
-  Contracting Parties
-  Candidate
-  Observers





The Energy Community Strategy by 2020 , endorsed by the Ministerial Council in October 2012

Key messages from the Strategy:

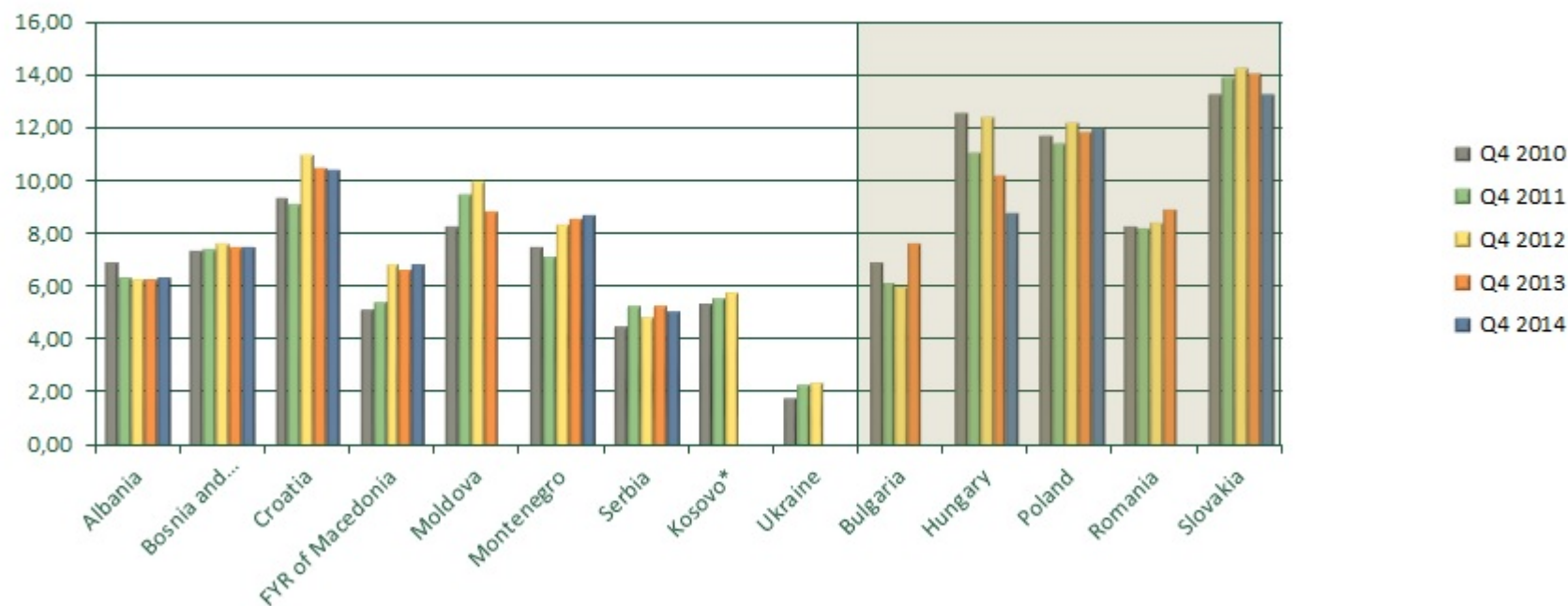
- ✓ Create a Pan-European Energy Market
- ✓ Introduce a common capacity allocation mechanism (coordinated auctions)& establish one or more power exchanges
- ✓ Phase out price regulation for large customers
- ✓ Adopt cost reflective energy network tariffs
- ✓ Adopt prices that reflect fully the cost of supply for all tariff customers

Why we have not more investments in the Energy Community?



- ✓ Small and fragmented markets (WBs, Moldova)
- ✓ Regulated, non cost reflective retail energy prices
- ✓ Dominant incumbent, state owned company, in rather poor financial conditions
- ✓ Difficult to do business – governance issues, transparency, red tape,
- ✓ Limited fiscal space for guarantees
- ✓ Coal/lignite dominance - difficult to finance
- ✓ Affordability issues – payment discipline
- ✓ Priorities shifting from one government to another....

Residential electricity prices, (€/kWh) (excluding taxes)



Ease of doing business – The World Bank report 2014

Economy	Ease of Doing Business		Dealing with Construction Permits				Getting Electricity				Protecting Investors					Rank
	Rank 2014	Change in Rank to 2013	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)	Rank	Extent of disclosure index (0-10)	Extent of director liability index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)	
Albania	90	-8	189	no practice	no practice	no practice	158	6	177	543,3	14	7	9	6	7,3	146
Bosnia and Herzegovina	131	-1	175	17	179	1100,2	164	8	125	492,5	115	3	6	5	4,7	135
Kosovo	86	+10	136	15	151	514,7	121	7	48	881,1	98	6	6	3	5	43
Macedonia, FYR	25	+11	63	12	90	512,1	76	5	107	258,6	16	9	8	4	7	26
Moldova	78	+8	174	26	291	65	165	7	140	542,1	80	7	3	6	5,3	95
Montenegro	44	+6	106	9	158	1159,3	69	5	71	487,6	34	5	8	6	6,3	86
Serbia	93	-6	182	18	269	1433,5	85	4	131	505,6	80	7	6	3	5,3	161
Ukraine	112	+28	41	10	73	607,1	172	10	277	178	128	5	2	6	4,3	164

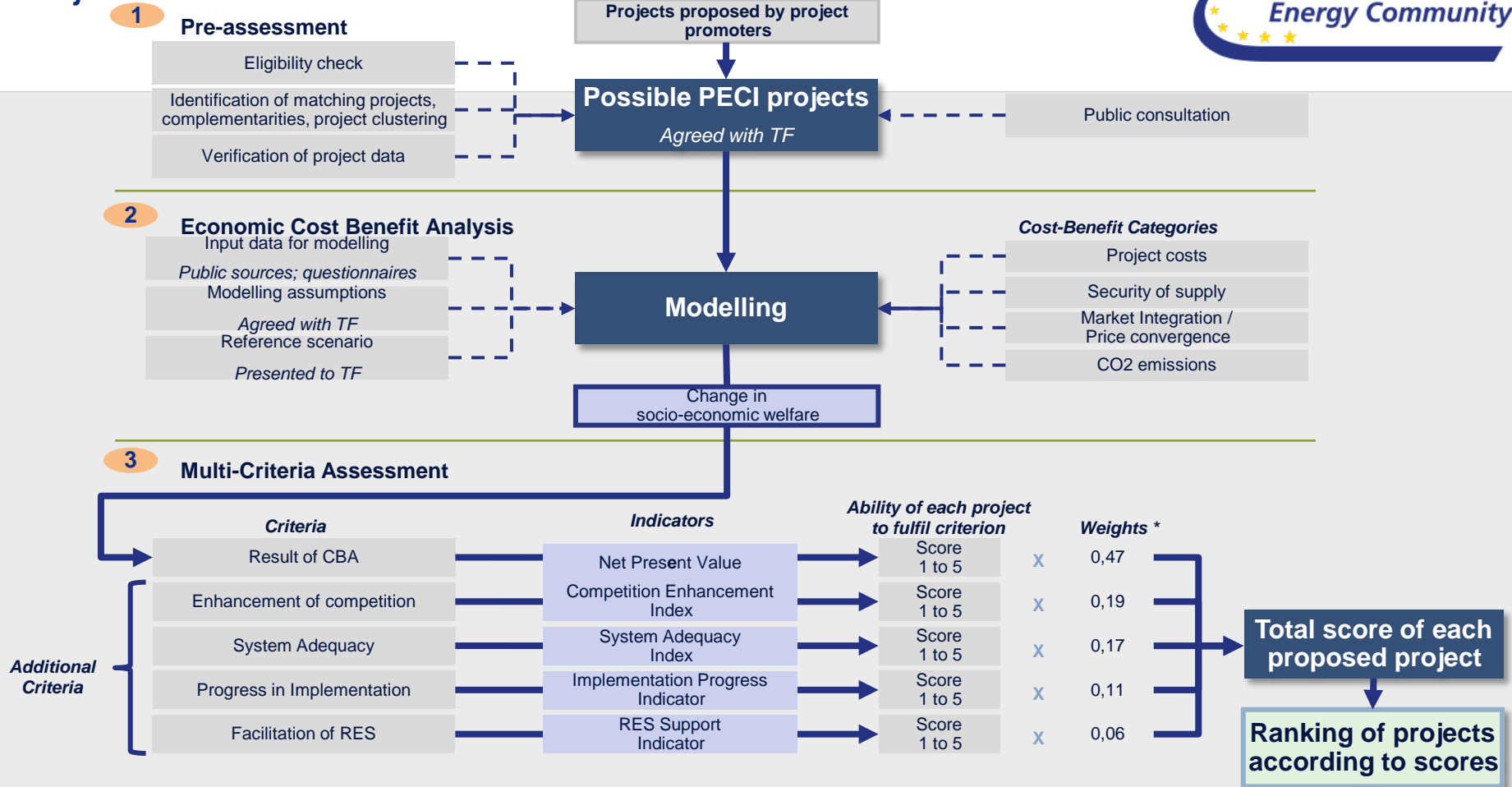
➤ **WHAT TO DO ?????**

Setting Priorities: Projects of Energy Community Interest (PECI)s



- In 2013 - 100 projects submitted by project promoters from CP and EU MS
- Identifying those projects of regional importance that would benefit from additional interventions such as:
 - Technical assistance
 - Financing mechanisms
 - Policy and regulatory instruments
- Assessment and ranking of PECIs using CBA methodology and additional criteria
- Two Public Consultations
- Regulatory Authorities engaged
- **A list of “Projects of Energy Community Interest” (PECI)s adopted by the Ministerial Council, October 2013**

Project Assessment Methodology

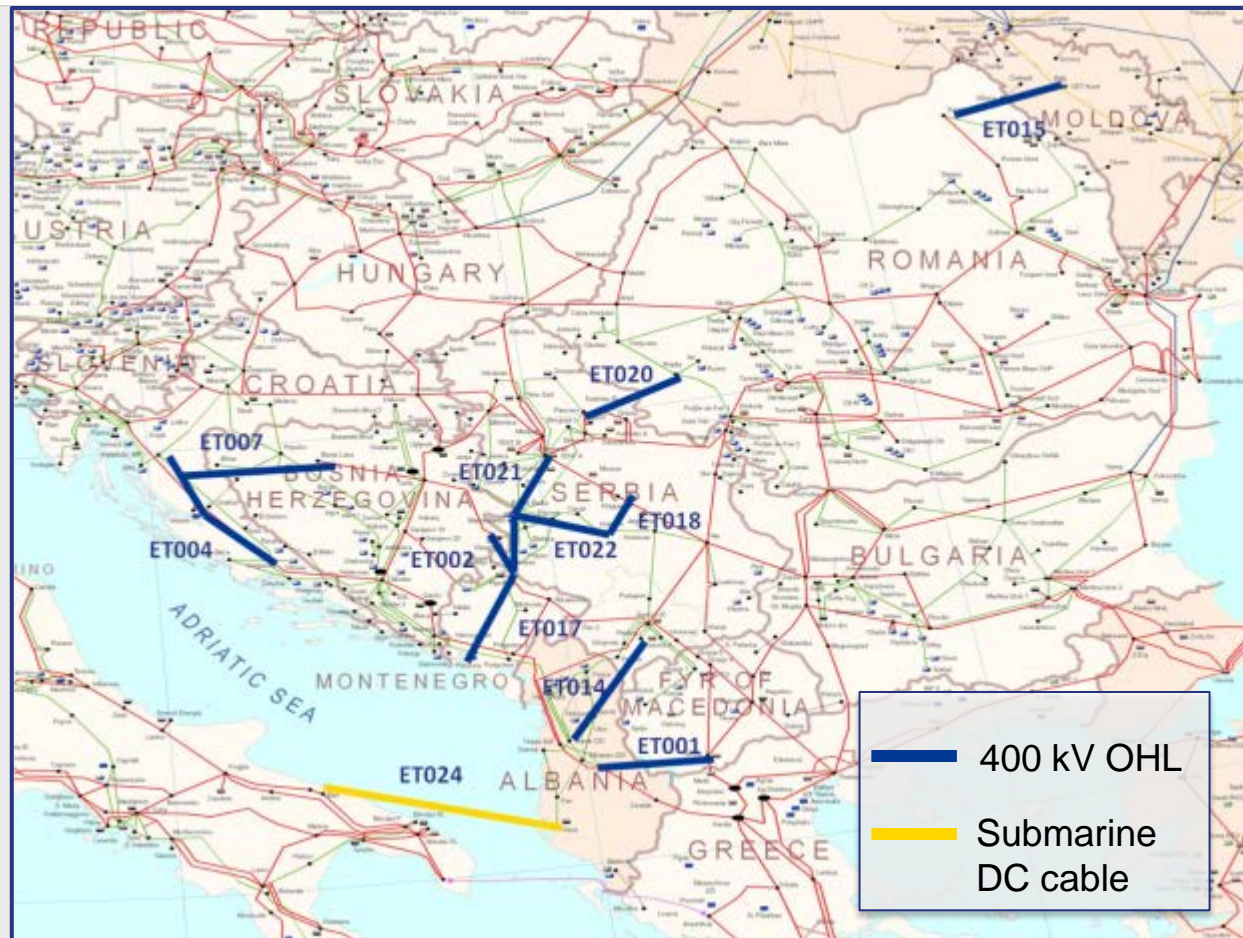


* Weights and criteria differ slightly for the different groups (electricity infrastructure, electricity generation and gas infrastructure). In this graph criteria and weights for electricity generation are presented.

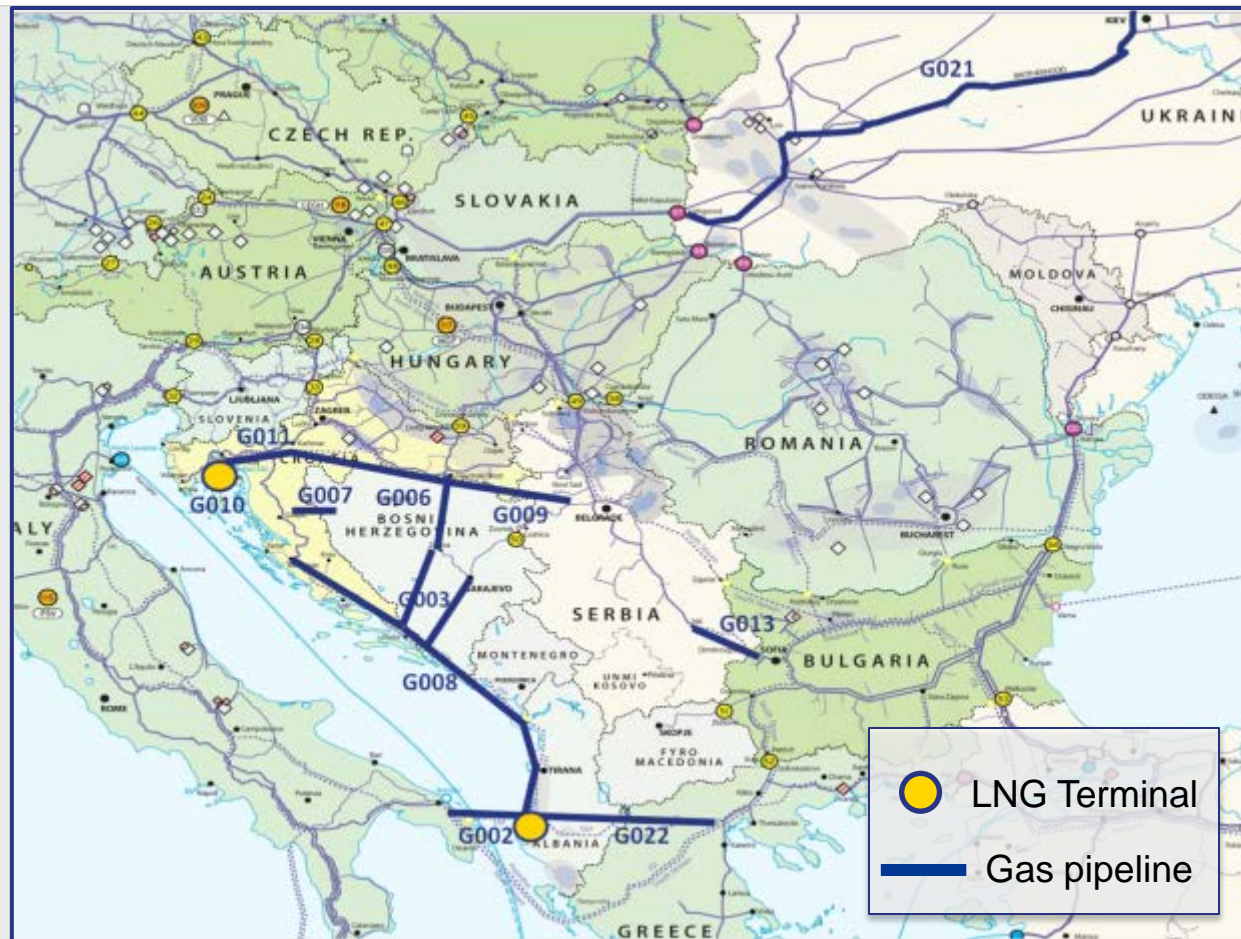
Expected investment costs

Area of intervention	Estimated investment costs billion €
Electricity Generation (14 projects)	8.053
Electricity Infrastructure (9 projects)	0.669
Gas Infrastructure (10 projects)	4.025
Oil Infrastructure (2 projects)	0.608
TOTAL:	13.355

PECI Electricity Interconnections



PECI Gas Infrastructure





Implementation of PECEs: the full package



- ✓ **Priorities identified:** a common list, PECE adopted by energy ministers in October 2013
- ✓ **Regulatory measures:** Regulation 347/2013/EU adopted in the Energy Community in 2015
- ✓ **Financing PECEs – Main sources and issues:**
 - Government /own resources (very constrained at present)
 - Commercial banks/private investors (financial and economic crisis, European energy policy – RE focus, market size and development)
 - IFIs (require sovereign guarantees; fiscal space, very narrow)
 - Confidence issues
 - Donor funded blending facilities and TA - e.g: Western Balkans Investment Framework and NIF (crucial to advance investments)
- ✓ **WHAT NEXT???**

PECI – 2016 timetable

Task name	Start	Finish	Oct '15	Nov '15	Dec '15	Jan '16	Feb '16	Mar '16	Apr '16	May '16	Jun '16	Jul '16	Aug '16	Sep '16	Oct '16	Nov '16	Dec '16
Call for the consultant	20-Oct-15	23-Nov-15															
Sign the contract		10-Dec-15															
Inception report - questionnaires	10-Dec-15	10-Jan-16															
Call for projects	15-Jan-16	15-Feb-16															
Establishment and meetings of the Groups	25-26.Feb.	27-28. Apr															
Eligibility test	17-Feb-16	19-Mar-16															
Eligibility test - Finalise eligible projects list		20-Mar-16															
Methodology+assessment+interim report	10-Dec-15	10-Apr-16															
Public consultations	01-Apr-16	30-Apr-16															
Final scoring and report	11-Apr-16	10-Jun-16															
Assesment - preliminary ranking (CBA, KPI, opinion c	11-Jun-16	13-Sep-16															
Assesment - preliminary ranking - meetings of the Gro																	
Drawing up the preliminary list	14-Sep-16	06-Oct-16															
Drawing up the preliminary list- meeting of the Groups		5-6. Oct.															
Adjustment of the ranking (CP,MS, ECS and EC)	07-Oct-16	12-Oct-16															
Presentation of the Draft Final List to the PHLG		13-Oct-16															
The Energy Community List of PECI adopted by the MC		by 31.Dec															

Inception
Report

1st meeting of
the Groups

List of eligible
project

Draft interim
report

Draft final report

Draft preliminary list
presented to PHLG

PECI list adopted by the
Ministerial Council

No.	Next Steps, Priorities	Deadline
1	Each Contracting Party shall bring into force the laws, regulations and administrative provisions necessary to comply with Regulation (EU) 347/2013, as adapted by the Energy Community and shall inform the Secretariat thereof.	31 Dec 2016
2	Contracting Parties shall start with the implementation of provisions in accordance with Regulation (EU) 347/2013.	01 Jan 2017
3	The Ministerial Council shall establish (based on a preliminary list) the next PECO list . Thereafter, PECO list shall be established every two years.	31 Dec 2016
4	Contracting Parties shall designate one national competent authority responsible for the permit granting process for PECOs.	30 Jun 2017
5	Each Contracting Party (or a respective competent authority) shall publish a manual of procedures for the permit granting process applicable for PECOs.	31 Dec 2017

No.	Next Steps, Priorities	Deadline
6	Duration of a permit granting process is limited to 3,5 years. (24 months for pre-application procedure, and 18 months for the statutory permit granting procedure). The process (which cannot be completed in 3,5 years) may be extended for 9 months upon a competent authority's decision.	
7	National regulatory authorities (cooperating in the framework of the Regulatory Board) shall establish and make publicly available a set of indicators and corresponding reference values for the comparison of unit investment costs.	30 Jun 2018
8	National regulatory authorities shall submit to the Regulatory Board the methodology and the criteria used to evaluate investment in electricity and gas projects and the higher risks incurred by them.	30 Jun 2017
9	The Energy Community Secretariat shall publish a report on the implementation of PECIs and submit it to the Ministerial Council.	MC in 2018
10	The Energy Community Secretariat shall establish an infrastructure transparency platform that should be publicly available.	6 months after the adoption of PECl list

How could we enhance investments?



- **Improve the business/investment climate**
 - Rule of law, contract enforcement
 - ECS growing role in dispute resolution:
 - Mediation in the case CEZ / Albania DSO
 - Negotiations in the case KOSTT/EMS
- **Harmonisation of VAT treatment** - access to interconnectors – ECS policy guidelines (web)
- **Reform of electricity market model, electricity tariffs, and regulated electricity retail prices**
 - ECS policy guidelines (web)
 - ECS legal assistance for new electricity and gas laws (3rd energy package) – PSO (Ukraine, Moldova)
- **Working together : Dispute settlement mechanisms, Investors Advisory Panel**



- ***Too many priorities....***
 - Projects are not yet ready to be built (missing documentation,
 - Companies (mainly state owned) lack financial resources
 - Too many „construction sites“ unfinished
- ***The right PEI candidates to be submitted***
 - In number and quality
 - Government support is essential
- ***Proper and timely implementation of R 347 with the additional benefits***
 - Permitting streamlined and limited to 3.5 years
 - EIA requirements clearer (EC Guidelines)
 - Cost-benefits shared for cross border projects
- ***EU technical and financial assistance through WBIF and NIF***
 - To be used more extensively, especially in NIF .



*Thank you
for your attention!*

www.energy-community.org