

INFORMATION ON THE IMPLEMENTATION OF THE WORK PROGRAMME OF THE ENERGY COMMUNITY FOR 2010 AND KEY ACTIVITIES IN THE FIRST HALF OF 2011

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 year 2010. It includes also previous information, presented to the Energy Community institutions within year 2010, respectively updated.

The elaboration in this aspect represents an abstract of the Work Programme, as adopted by the Ministerial Council¹ (Conclusion 10, 6TH 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**.

It should be also recalled that substantial information of concrete nature was also presented on the occasion of the Ministerial Council of the Energy Community in the form of a Report on the Implementation of the Treaty². More detailed information under each item is available upon request.

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

² Please, see the full text under <http://www.energy-community.org/pls/portal/docs/722178.PDF>

B. PERFORMANCE ON THE TASKS AND RELEVANT NEXT STEPS

I. REGIONAL ELECTRICITY MARKET

1. SUMMARY

The key objectives of the activities in this area were to support the developments in the Contracting Parties, concerning the electricity sector, as to achieve fulfillment of the explicit requirements of the Treaty. This is in particular the implementation of the electricity related acquis of the II Package which is still not in full compliance, 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. A comprehensive outline of the findings was presented in the Annual Report published in September 2010.

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.

During 2010, the support in development of the legislation encompassed the following specific activities in the Contracting Parties:

- Albania – the Secretariat's considerations for various shortcomings in the electricity market were discussed in direct contact with the electricity sector stakeholders and authorities in May. Ongoing efforts in drafting a new legal framework for the electricity market aiming to bridge the gaps are promising, assistance from the Secretariat for assessment / advance in the compliance is available / expected in the first half of 2011;
- Bosnia and Herzegovina - several rounds of concrete support in solving the critical issues in the electricity sector took place in 2010 in cooperation with the EC. In April the long-standing problem with the operational capacity of Transco was targeted. The overall legal framework for supply of electricity was discussed on state and entity level in the second half of the year resulting in transitional measure for securing the supply of Brčko District of BiH by the end of December and commitment for comprehensive cooperation in review and updating the legislation for the electricity market and development of a common energy strategy;

- Croatia – in addition to the report on the implementation of electricity market in 2010 and the comments on compliance of the amendments on the Electricity Market Law in the beginning of 2011, the assistance is pending enforcement of the “third market package” in the Energy Community – Croatia has already taken concrete steps for its implementation;
- Former Yugoslav Republic of Macedonia – in addition to comprehensive comments on the Energy Development Strategy and the draft new Energy Law which were provided by the Secretariat, extensive online and direct consultations with the domestic experts on the text of the Law took place in several turns in February, June, November and December resulting in adoption of the advanced legal act in February 2011. Follow-up cooperation encompass structured assistance in updating the secondary legislation in the first half of 2011;
- Moldova – new Contracting Party to the Treaty since May, a fact-finding mission was accomplished in June resulting in preliminary benchmarking and proposals for required developments of the legal framework. In 2011 substantial concrete assistance is considered subject to the domestic initiatives for progress in implementation of the Treaty and specific focus of Moldova as Presidency of the Energy Community;
- Serbia – further to repeated initiatives and concrete comments and proposals of the Secretariat over the past two years on the elements needed in update of the Energy Law, a mature phase of this process was reached by Serbian authorities at the end of 2010 and beginning of 2011, resulting in concrete assistance through comments and discussions on the latest draft in February 2011. Further cooperation is foreseen as required until adoption of the law in the first half of 2011.
- UNMIK – the draft upgrades of the former legal acts in the energy sector was a field of extensive cooperation and assistance of the Secretariat at the end of 2009 and beginning of 2010. The same came in the focus of attention of the donor community in April 2010 along the interest of the investors in construction of new power generation capacity and in privatization of the local electricity distribution utility. In July and September the Secretariat, together with the EC, took substantial part in reaching agreement over the disputed market model and in bringing the three Laws of the electricity sector on a higher level of compliance and in line with the donor community needs, resulting in adoption of the Laws in October. In 2011 the focus of the assistance will be put on the ongoing process of upgrading the market framework.

In addition to the Contracting Parties, concrete work was done with Georgia, Moldova³ and Ukraine as Observer countries. In concrete, this refers to the following:

- Georgia – the Secretariat responded to the needs of Georgia for assessment of their energy sector and provided preliminary comments in line with the interest for possible application for full membership in the Energy Community. Subject to the pending political decision, the Secretariat will take initiative in the first half of 2011 for update of the findings and offer its concrete assistance as applicable;

³ The reference to Moldova as Observer in this report is valid only till 01.05.2010, since when Moldova is a member of the Energy Community.

- Moldova – in its format as an Observer country. in the first half of 2010 Moldova was assisted through preliminary assessment of the needed measures for implementation of its accession protocol;
- Ukraine – looking forward to its accession to the Treaty, in October 2010 the Secretariat undertake fact-finding and coordination activities for the electricity sector through direct contact with its stakeholders and authorities. In November and December this was followed by preparatory measures for detailed assessment of the state of compliance. This process shall continue through the next meetings in March 2011, following the Accession of Ukraine as a Contracting Party in February. The Secretariat will report on the findings and agree with Ukraine on the format of its further assistance in bringing the legal framework in compliance with the Treaty.

2.2. Activities, related to the setting-up of a regionally coordinated congestion management and capacity allocation mechanism in the 8th Region

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 8th 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 2010 the Steering Committee and CAO Implementation Group held four meetings each.

In addition, in the period the Secretariat organized operational meetings with some of the TSOs as to further explain the obligations under the Treaty.

2.3. Promotion of Renewable Energy Sources

The key aim in the work, related to renewable energy sources (RES) within 2010 was linked to developments, establishing conditions for a move towards implementation of the recent EU legislation - new EU Renewable Energy Directive 2009/28/EC in concrete.

2.3.1. Study on the Implementation of the new Renewable Energy Directive in the Energy Community

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

The 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 Directive 2009/28/EC. Another main task of the RES Study was to calculate the mandatory 2020 RE 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 electricity, heating and cooling in 2009 and 2010 was considered as a crucial next step towards recalculation the mandatory RE targets and obligatory implementation of the Directive 2009/28/EC. The study was launched in November 2010, and it has to be finalized due time for the PHLG meeting in June 2011.

2.3.2. Recommendation on Implementation of the RE Directive

Following considerations by the Parties to the Treaty and upon a proposal by the European Commission, it was agreed that a Recommendation, related to implementation of Directive 2009/28/EC shall be proposed to the Ministerial Council for adoption, which was done at the Ministerial Council meeting on 24.09.2010⁴.

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 on implementation of the Directives 2001/77/EC and 2003/30/EC continued in 2010 and the results were reflected in the Report on the Implementation of the Treaty prepared for the Ministerial Council meeting in September 2010.

Besides, the Secretariat assisted Moldova in preparing the plans, taking into account the changes in the timeframe and existing state of play in the new Contracting Party. Moldova submitted the plans by the end of 2010, in line with the Memorandum on Accession. The Secretariat is ready to provide similar assistance in the first half of 2011 to Ukraine, the newest Contracting Party whose plans have to be submitted by 1st July 2011.

2.3.4. Meetings and Training

Renewable Energy Task Force has met 3 times during 2010 after its first meeting in October 2009.

Furthermore, on 16th 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 21st 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 18th March 2010.

The Ministerial Council, upon on the proposal by the Secretariat, has extended the mandate of the Renewable Energy Task Force by the end of 2011. The RE TF shall

⁴ http://www.energy-community.org/portal/page/portal/ENC_HOME/INST_AND_MEETINGS/Ministerial_Council/2010/24_Sep

focus on concrete steps, following the Recommendation concerning potential implementation of Directive 2009/28/EC. In particular, it refers to development of the Renewable Energy Action Plans, extension of the Knowledge Management Platform, further capacity building in the renewable energy area and analytical work based on the EU experience. So far the Secretariat developed a template for Renewable Energy Action Plans, which have to be submitted by the Contracting Parties by 30 June 2011.

II. REGIONAL GAS MARKET

1. SUMMARY

The key objectives of the activities in this area were 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 were examined.

2. ACTIVITIES

2. 1. Monitoring and supporting activities

The Secretariat – via missions and work in office - performed 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.

During 2010, the support in development of the legislation focused in concrete towards the following Contracting Parties:

- Albania - received concrete assistance in relation to developing their secondary legislation, namely for Licensing procedures for the natural gas sector and Regulation for exemptions from Third party access, at the meetings in Vienna and in Tirana, as well through operational communications
- Bosnia and Herzegovina was provided by concrete support, during the mission in April. Secretariat contributed, to the work of the national Expert Gas Team, established to propose the organization of gas sector in the country. However, further support would have been provided if had been requested.
- Croatia – assistance was provided at the meetings in Zagreb in March and May, with concrete focus on the further gas market development related to the transitional period to the 3rd Energy Package implementation
- Former Yugoslav Republic of Macedonia received continuous and considerable assistance in relation to developing new Energy law (which introduced substantial changes within the gas sector) either through the missions in

February, June, September and November, or by operational communications almost on daily basis (in autumn)

- Moldova – after Moldova became the Contracting Party in May, a mission with wider scope (covering also gas sector) was organized in June, in order to make a review of all relevant legislation. However, further support could have been provided if the elections in Moldova had not postponed this opportunity. In addition, the assistance would have been more concrete if the relevant documents in English had been received.
- Serbia – a mission in February was performed in order to provide concrete assistance to developing the Amendments to the Energy Law, including gas sector. In course of the year, the new version of the Law emerged, with substantial changes incorporated and as well commented by the Secretariat (the latest draft should be the main topic of the next mission scheduled for February 2011).
- UNMIK – the relevant legislation was analysed and commented.

In addition to the Contracting Parties, concrete work was done with Georgia and Ukraine as Observer countries. In concrete, this refers to the following:

Upon to the request of Georgia, existing relevant legislation was analyzed and discussed during the mission in June. The aim was to assess the gap between the legislation in place in Georgia and acquis required by the Energy Community Treaty, i.e. how much efforts and time would be required if Georgia decides to apply for a status of Contracting Party.

In cooperation with the European Commission, the Secretariat analyzed and commented several draft versions, as well as the final one, of the Law of Ukraine on Principles of the Functioning of the Natural Gas Market. Furthermore, the same law and the situation in the entire energy sector, including gas related technical assistance, were discussed during the mission in October after Ukraine had signed the Protocol on Accession to the Energy Community.

The Secretariat has actively cooperated with the Donors' community related to Ukraine with regards the technical assistance to the gas sector.

The Secretariat will continue to monitor and to support development of legal and regulatory framework in Contracting Parties and Observers and, where the need may be, start the dispute settlement procedures.

In the first half of 2011, special focus will be put on development of primary legislation in Bosnia and Herzegovina and Serbia.

The Secretariat discussed the compliance issues on certain Contracting Parties' agreements related to the gas sector.

2.2. Market related activities

Within the period, Albania received concrete assistance not only in relation to developing their secondary legislation, as mentioned above, then also by discussing a proposal for a gas market model – at the meetings in Vienna and Tirana and via telephone and mail communications.

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 did not notify the Secretariat on any necessity, in more concrete terms, for this.

In the first half of 2011, concrete assistance to the development of market rules and other secondary legislation will be needed and provided to Former Yugoslav Republic of Macedonia, Moldova and Ukraine.

The projects related to realization of the Gas Ring concept, potential regional and consequently with influence on Contracting Parties' national markets were discussed with relevant stakeholders (such as bilateral Greece-Albania meetings on gas interconnection, TAP project). This activity will be permanent in the next period.

The Secretariat continued cooperation with ENTSOG as the successor of the GTE+ on the Ten Years network Development Statement and other relevant documents.

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. However, since then there were no further meetings.

The Secretariat monitored the implementation of Directives 2004/67/EC by the Contracting Parties. The state of play was periodically reported.

The Contracting Parties revised their Security of Supply Statements in 2009, and new revision, on two years basic, will be required in 2011. The Secretariat has been updating guidelines for Security of Supply Statements, taking into account requirements of the Directive 2004/67/EC.

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 1st May 2011 and of Ukraine, obligatory for this Contracting Party by 1st February 2012.

The Secretariat, on behalf of Contracting Parties and upon the invitation by the European Commission, has been participating actively in the work of the Gas Coordination Group, established 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. Furthermore, 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 994/2010⁵ on security of gas supply places new requirements, for which the Secretariat shall prepare relevant materials, to be considered within the Energy Community.

2.4. Training

On 15th April 2010, with the full support of the European Commission - DG ENER, the Secretariat organized a workshop presented the key aspects of the Third energy

⁵ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:295:0001:0022:EN:PDF>

legislative package to the representatives of Contracting Parties from Governments, Regulators and networks operators. Especial attention was paid to the changes required in the gas sector.

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 2010⁶.

2. ACTIVITIES

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

Electricity

- harmonized wholesale trade licensing;
- development of a regulatory position on a (ex)-SETSO⁷ paper on regional balancing and review of the national balancing systems in the Energy Community;
- regulatory input to the development of a regionally coordinated capacity allocation;
- development of common market monitoring guidelines in cooperation with USAID;
- Discussion of possible implementation steps following the delivered World Bank financed study on wholesale electricity market opening.

Gas

- Regulatory Measures for Realization of the Energy Community Gas Ring;
- Review of gas market models in the Energy Community and their compatibility with Regulation (EC) 1775/2005/2003;
- Status review of transmission tariffication;

Customer issues:

- Status review of electricity billing;
- Status review of quality of service smart metering in the 8th Region;

⁶ See www.ecrb.eu.

⁷ Now ENTSO-E Regional Group SEE.

- Status review of electricity distribution tariffs in the Energy Community..

CAO Implementation Group

- Providing a discussion platform for regulators, TSOs and traders of the 8th Region for establishing a regionally coordinated congestion management and capacity allocation mechanism,.

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 in 2009, 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 reported about its 2010 activities in detail in a separate annual report which is available on the Energy Community⁸ and the ECRB website⁹.

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 2010¹⁰ – 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.

A. MEETINGS

In concrete, in 2010 progress meetings were organized in relation to the following priority projects –

Electricity infrastructure:

1. Interconnection, 400kV line Serbia (Pancevo)- Romania (Resita) – 2 meetings

⁸ www.energy-community.org.

⁹ www.ecrb.eu.

¹⁰ See http://www.energy-community.org/portal/page/portal/ENC_HOME/INST_AND_MEETINGS/PHLG/2010/17_Mar for more information.

2. Interconnection 400 kV line Albania – former Yugoslav Republic of Macedonia 1 meeting

Gas infrastructure:

1. Interconnection gas pipeline Nis (Serbia) – Dimitrovgrad – Sofia -/Dupnica (Bulgaria): 4 meetings
2. LNG terminal Croatia 1 meeting
3. Ionian Adriatic Pipeline: Croatia, Montenegro, Albania, Bosnia and Herzegovina: 3 meetings

B. ACHIEVEMENTS

As a result, the following were achieved:

Electricity infrastructure:

1. The Feasibility study on the Romanian side was finalized in the 4th Quarter of 2010 and the cross border parameters of the interconnection were agreed in the Serbian Romanian Meeting of 28 January 2011
2. The application for the Feasibility Study (FS) and the Environmental and Social Impact Assessment (ESIA) was submitted by the EBRD on behalf of both countries and was approved by the Steering Committee of the Western Balkans Investment Framework, in December 2010; the studies will be conducted in the course of 2011.

Gas infrastructure:

1. The application for the FS and ESIA on the Serbian side of the pipeline was approved by the WBIF in the 2nd Quarter of 2010 and the respective ToRs were prepared and coordinated with the Bulgarian ones; the studies will be conducted in the course of 2011;
2. The investment decision by the Adria LNG Consortium has been postponed to 2012; the location permit was granted and the ESIA approved by the Croatian Government in 2010; However, Croatia independently submitted the application for the FS & ESIA for LNG terminal with smaller capacity, as kind of pre-terminal for transitional period till the big LNG terminal will be built
3. An Interstate Committee on IAP project was set up in June 2010 and had its first meeting in November 2010; an application for the FS and ESIA was made to the WBIF in February 2011 and the decision is expected in June 2011.

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 was presented at the Ministerial Council meeting on 24.09.2010.

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 Kosovo¹¹

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 were supported by the Secretariat. 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

¹¹ Pursuant to UNSCR 1244

The preparation work for a more comprehensive report was done on the ground of (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 was presented at the Ministerial Council in 2010 and will be updated in 2011.

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 meetings with the business/ investors from the electricity sector, respectively from the gas sector.

2.4. The Business Advisory Panel

In this relation, within 2010 substantial change of the approach was marked via the establishment and the start of activity of the Business Advisory Panel.

In order to facilitate a more structured dialogue with the business sector, Energy Community Secretariat (ECS) organized on 24 November 2010 the 1st Investors' Advisory Panel to set it up (the Panel) and to discuss progress, as well as barriers to investments in the energy sector in the Energy Community.

The Panel was attended by high level representatives of the main electricity and gas companies as well as representatives of associations that are active investors in the Energy Community (EnC). These companies and organisations are invited to meet regularly, and discuss topics of importance for national and regional investments in the energy sector, and give its recommendations to the Secretariat on which main barriers have to be reduced in order to foster large and medium scale infrastructure investments.

The main conclusions drawn from the meeting and key messages included:

- The initiative of setting up an Investors' Advisory Panel is welcomed;
- One of the main barriers to investments is the lack of a regional market and the barriers to cross border trade;
- The investment process and the Treaty implementation process need to be largely communicated, and the politicians at central and municipal level need to be educated;
- There are of objective factors like the economic crisis and global economic trends that significantly influenced the investments in the Western Balkans
- The market development needs to be closely monitored;
- Environmental legislation should be implemented and the treatment of CO2 emissions clarified with the European Commission;
- The role of renewable energy was emphasized;

- The importance of proper remuneration schemes, incentives and flexible forms for investors to construct energy infrastructure of regional interest;
- Consumers' acceptance of the energy tariffs increase to reflect long term marginal costs should be linked to social policy measures for protection of vulnerable consumers;
- A regional energy planning is needed, especially taking into account the fuel choice, green field gas projects, the environmental constraints and the drive for renewable energy.

2.5. 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 Vienna¹². 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.

As on the date of this report, the preparation on the 2011 Investment Conference already started. Its key focus shall be related to the challenges, related to the implementation of the environmental acquis within the Energy Community. The focus of the Conference will be the future of new and rehabilitated coal fired power plants, and the private and institutional investors' view points on financing these.

2.6. 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 4th round, the following projects were approved: (i) the Feasibility Study for construction of new substation Tirana3 for reinforcement of Tirana Ring;(ii) Energy efficiency measures in public buildings in Kosovo¹³; (iii) Serbia – Bulgaria gas interconnection pipeline. In addition, through the exceptionally good cooperation between the ECS, the Project coordinator/ EBRD representative, the application for the Feasibility Study (FS) and the Environmental and Social Impact Assessment (ESIA) was submitted by the EBRD on behalf of both Albania and the former Yugoslav republic of Macedonia and was approved by the Steering Committee of the Western Balkans Investment Framework, in December 2010, as an additional project to the 4th round.

The Donors' project coordinator took part in all project based facilitation meetings that took place in 2010 (five in total).

¹² For more information about the Conference please visit: http://www.energy-community.org/portal/page/portal/ENC_HOME/CALENDAR/Other_Meetings/2010/18_Mar

¹³ Pursuant to UNSCR 1244

In 2010 the Donors' Community meeting was organized by DG ENER with the support of the ECS in preparing the Agenda and the Minutes and supporting the discussions on substance. The Meeting was held on 22 November 2010 in Brussels; the Agenda included the Report on activities during 2010 and role of the Donors Coordinator; Main investment challenges in the Energy Community (environmental Acquis / EE / gas and oil infrastructure) ;Donors' current strategies for the region ;General approach and priorities for the region Review of ongoing activities; Impact of past / future enlargements of the Energy Community; Donors' coordination – Increasing effectiveness and speeding up the development of projects

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 2009¹⁴ and September 2010¹⁵ 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 was 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

In 2010, the Secretariat developed a Guidance Paper for the implementation of the Directive and presented it for consideration at the first PHLG meeting in March 2010¹⁶. This guidance contained concrete steps on the major elements of the Directive. In addition, it proposed a common Roadmap for its implementation and pre-

¹⁴ Conclusion 9 of the 7th MC meeting - <http://www.energy-community.org/pls/portal/docs/488187.PDF>

¹⁵ Conclusion 8 of the 8th MC meeting - <http://www.energy-community.org/pls/portal/docs/724177.PDF>

¹⁶ See [Introductory Note](#)

implementation. The Permanent High Level Group agreed to use the guidelines as basis of their pre-implementation activities

The Secretariat recalls its readiness to assist each Contracting Party in the course of the pre-implementation process also in 2011.

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 2010 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 were targeted at a Workshop on Emissions Reduction in the Energy Community in 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 2009¹⁷

The Secretariat commissioned a study on CO₂ emissions from power generation in the Energy Community. The study is expected to provide 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. Draft report of the study has been prepared by the consultant and has been uploaded on the Secretariat's website on 18 February 2011. After incorporating the comments of the interested stakeholders, the consultant shall be expected to deliver a final report of the study

3. ACTIVITIES RELATED TO ENERGY EFFICIENCY

Within 2010, the support to the Contracting Parties and Observers in line with the Work Programme took different formats. This support referred mainly to the following:

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.

In its meeting of 18 December 2009, the Ministerial Council adopted Decision No. 2009/05/MC-EnC on the implementation of certain Directives on end use energy efficiency. Following the recast of the energy efficiency *Acquis in the European Union*¹⁸,

¹⁷ See Task VI.5 of the Work Programme 2008 – 2009.

¹⁸ In May 2010, a recast of Directives 92/75/EEC and 2002/91/EC were adopted within the European Union.

Ministerial Council adopted in September 2010 Decision No. 2010/02/MC-EnC amending Decision 2009/05/MC-EnC from December 2009.

As of September 2010, the following energy efficiency directives are part of the Energy Community *Acquis*:

- Directive 2006/32/EC on energy end-use efficiency and energy services;
- Directive 2010/31/EU on the energy performance of buildings and
- Directive 2010/30/EU and the implementing Directives on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products.

The overall deadline for the transposition of the Directive 2006/32/EC and Directive 2010/30/EU is 31 December 2011, and for Directive 2010/31/EU is 30 September 2012.

In order to smooth the progress of the work in this area, Energy Efficiency Task Force members from Contracting Parties (with exception of Moldova) prepared in 2010 first Roadmaps for transposition of the energy efficiency *acquis*, which gives confidence that the transposition and the implementation is progressing and will be monitored and reported to the Secretariat regularly. The Secretariat supported this process by preparing a template for the Roadmaps, as well as by reviewing the draft Roadmaps in order to support Contracting Parties with recommendations on how to improve these in order to be in compliance with the Directives. In order to include the transposition of recently adopted recast energy efficiency directives, process will continue in 2011 with the adjustment of the Roadmap template (already done by the Secretariat) and finalization of the updated Roadmap (all CPs by mid March 2011).

During 2010, the Secretariat supported the development of energy efficiency primary legislation by providing comments and performing thematic Country missions in the Contracting Parties as follows: former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia, and UNMIK.

The developments in 2010 clearly noted that 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, former Yugoslav Republic of Macedonia and Moldova that adopted the Energy Efficiency Laws (or specific Chapters on energy efficiency as part of the Energy Law) recently; Albania, 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.

Having in mind the challenging deadlines (by the end of 2011) for transposition of the two energy efficiency directives (Energy Service Directive and Energy Labelling Directive), the progress will be frequently monitored and reported during 2011 by the Secretariat, and supported by the Energy Efficiency Task Force. On the other side, as response to the Contracting Parties' needs, a Study on energy efficiency in buildings will be contracted and finalised by the end of 2011, to help with the transposition of the most complex Directive on the Energy Performance of Buildings (deadline for transposition: September 2012).

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 until the end of 2011.

The EETF Work Programme for 2009-2010 included tasks related to the finalization of the 1st National Energy Efficiency Action Plans (NEEAPs), as well as Monitoring of the implementation of the NEEAPs. In 2011 the EETF will be focused on the monitoring of the NEEAPs' implementation process and verification of the energy savings achieved.

In 2010, 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 made extensive pre-assessment of the drafts including recommendations on how to improve these in order to be in compliance with the Energy Service Directive 2006/32/EC. These are also discussed at the Energy Efficiency Task Force meetings in June and November 2010, as well as with the respective Contracting Parties during Country missions. At the date of this report, the Secretariat received final NEEAPs approved by the Government from Croatia, Montenegro, and Serbia, as well as final versions (in the process of approval) from former Yugoslav Republic of Macedonia, Albania and UNMIK.

Finally, the Secretariat assessed the first NEEAP prepared by six out of nine Contracting Parties and the Assessment Report will be presented at the PHLG meeting in March 2011. It concludes the Secretariat's assessment process and reporting on the first NEEAPs in response to its obligation under the Ministerial Council Decision D/2009/05/MC-EnC and Directive 2006/32/EC. The structure of the assessment report is similar to that used by the Commission's services for the assessment of the first NEEAP of the Member States.

After finalization of the NEEAPs, concrete operational support on the implementation of the National Energy Efficiency Action Plans (NEEAP) started, 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 three Energy Efficiency Task Force meetings organized in 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, Brussels);
- Lessons learned in the implementation of the Energy Performance of Buildings Directive (Intelligent Energy Europe project “Concerted Action – EPBD”)

The Energy Community Secretariat organized on 22 February 2010 in Vienna (in cooperation with GIZ Open regional Fund – Energy) a workshop dedicated to the capacity building for the monitoring, verification and evaluation systems of the energy efficiency policies in SEE countries, . Presentations on energy statistics, legal framework and institutional setup as preconditions for establishing M&V&E platform were also included.

Finally, the Secretariat is organising a one day training workshop on 17 March in Vienna that will be completely dedicated to the practical implementation aspects of the energy efficiency *acquis*, in order to assist the Contracting Parties and support exchange of experience between each other as well as learn from the experience of EU Member States.

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 started and will continue 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 6th EETF meeting in May 2009, and the Task Force members have agreed to use this as a model.

At the 8th EETF meeting in February 2010 all Contracting Parties presented mid- term results on implementation of the Communication and Awareness Raising Campaign plan. At the 10th EETF meeting in November 2010, Task Leader from Montenegro presented cross-country review of the communication and awareness raising plan implementation. Presentation summarized findings from the reports submitted by all Contracting Parties on the basis of the harmonized structure specified by the Template developed by the Secretariat.

In 2011 the focus will be on the related energy efficiency legal and institutional framework (new legislation, NEEAPs etc.), and on capacity building for the directives’ implementation and creation of the knowledge management and transparency platform for energy efficiency, at the regional level.

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.

The promotion of financing schemes and best practices for energy efficiency investments were in the focus during the Investment Conference on Energy Efficiency and Renewable Energy in the Energy Community organized in cooperation with EBRD on 18th March 2010.

Also, at the 9th EETF meeting in June 2010, the IFI Coordination Office presented the Report on the energy efficiency support mechanisms active in the Western Balkans. EC financed project "Support to IFI Coordination in the Western Balkans and Turkey" that identified and analysed a total of 31 financial support mechanisms available for energy efficiency investments with an estimated total value of €1.3 billion. This includes TA and financial schemes from EC, IFIs and bilateral donors in the region.

In December 2010 the IFI Coordination Office organized, in cooperation with the Secretariat Awareness Workshop on Energy Efficiency Support Mechanisms in the Western Balkans¹⁹. Diverse barriers to energy efficiency financing were identified, and as a follow up to overcome these barriers, EC and the IFI Coordination Office will continue together with the Secretariat in 2011 to additionally research on the current financial support mechanisms, and provide more information to the Contracting Parties. Also, the IFI Coordination Office will, in conjunction with the EC and the Secretariat, prepared also the terms of reference for a study to examine financing options suitable for implementation of the National Energy Efficiency Action Plans. This EC managed study should be launched in early 2011 and should secure best practice and experiences from EU Member States and determine suitable options for the circumstances of the region. The study should also contribute to intensifying efforts to establishing greater cross-ministerial cooperation and outline potential EC assistance to support governments to adopt suitable financing options from 2012 onwards.

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 Community²⁰ and others are planned.

¹⁹ Summary Report of this Workshop is available at: <http://www.energy-community.org/pls/portal/docs/820178.PDF>

²⁰ See also item B.III of this report.

2. ACTIVITIES

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.

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.

In 2011, the issue shall be also particularly targeted in Ukraine in the context of its accession to the Energy Community as of 01.02.2011.

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 Kosovo²¹ 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 3rd 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. ECBR 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.

²¹ Under Resolution 1244 of the UNSC.

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 in 2010 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

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. The ECRB Working Group on customers is looking into the definition of vulnerable customers and regulatory measures to protect these;
- *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 was done in the course of 2010 and will continue in 2011.
- At the 3rd 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. The application to TAIEX was made and the training workshop is foreseen for May 2011.
- In 2010, the EC DG EMPL commissioned the study “Employment in the Gas and Electricity Sectors in the Western Balkan Contracting Parties of the Energy Community” that looked into the impact of restructuring of the energy companies on labour force. The findings will be presented at the training workshop.

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 2009²² 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, which was organized in November 2010, focused on concrete implementation aspects of the *acquis*. It targeted 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 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 was also considered.

Participation of high-level representatives from governments of the Contracting Parties and Observers, international organizations, public and private oil companies, investors, international financial institutions and donors marked the successful event.

The 2nd Oil Forum concluded that the progress made so far on the development of the Energy Community Oil Dimension is a needed step in the context of security and safety of energy supply. The Forum expressed its support to a timely adoption of the *acquis* and at the same time encouraged the Contracting Parties to consider a coordinated approach towards efficient usage of available oil stocks.

On the discussions regarding the refining sector, the participants at the Forum supported continued investments for improving technology and air pollution reduction. Also the implementation of Sulfur in Fuel Directive 1999/32/EC (with due implementation by 31 December 2011) was recalled in the context of the necessity of air pollution reduction for the environmental benefits of the region.

The diversification of the external sources and routes of crude oil and petroleum products was stated as prerequisite to avoid oil supply disruption. Again, focus of discussion was made on the regional approach towards the oil market to enhance the region's capacity in relation to attract investments and support the development of oil infrastructure.

The use of biofuels was considered as an alternative for reduction of the influence on the environment and as additional source for fuel diversification.

²² [Council Directive 2009/119/EC](#) imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products

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.

The Study²³ was launched on 04 June 2010. The tendering procedure was conducted in compliance with the relevant Austrian law. In conformity with the Tender Documents the Petroleum Development Consultants Limited was selected as successful bid and the Contract was signed on 23 July 2010.

The main objective of the study was to develop a common emergency oil stocks policy and crisis management system in conformity with the Oil Stocks Directive 2009/119/EC.

The scope of work envisaged targets primarily related with the outlook of crude oil and petroleum products consumption in a specific time frame; Additional required stockholding capacity and infrastructure; Analysis of the current stockholding systems and need for improvements; The possibility for a regional approach; Analysis of the financial and organizational aspects; Clear structural and procedural framework for a rapid response to any supply disruption and preparation of a roadmap for the Energy Community concerning the list of further steps that should be conducted by the Beneficiaries

The final draft report of the Study, delivered to the Secretariat by the end of February, 2011 outlined that some of the Beneficiaries, like Albania, Croatia, FYR of Macedonia, Montenegro, Turkey and Serbia, are quite advanced along the road to complying with Directive 2009/119/EC and full implementation will take 6 to 7 years. The others, like Bosnia and Herzegovina, Moldova, UNMIK and Georgia, currently have no emergency oil stocks in place and are in the process of evaluating possible options. Their full implementation is envisaged to take place within 9 years.

²³ [Study on Emergency Oil Stocks in Energy Community Level](#)

Overall, the Study indicates that the Beneficiaries have a long way to go to achieve full compliance of Council Directive 2009/119/EC. Notwithstanding differences between the Contracting Parties, the Energy Community Secretariat considers the implementation of Council Directive 2009/119/EC as a step forward towards security of energy supply.

Therefore, 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 in the context of the oil dimension for the further activities within 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, which was submitted to the Ministerial Council in September 2010. 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 missions to the Contracting Parties, visits to the Secretariat, business events and conferences throughout the period covered by the Work Programme. In addition, the topic was a special focus of attention at the Ministerial Council meeting in September 2010, when very concrete practical results were presented.

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 a workshop on statistics on 15.06.2010 in Vienna. Besides, the launched study on statistics was developed as planned, from April to December 2010.

The draft report was submitted according to the Contract on September 15, 2010. However, upon ECS request the deadline for submission of the Final Report was extended in order to include relevant information for Ukraine and Turkey, due to the fact that Ukraine and Turkey did not reply in time. After repeated intervention of the Secretariat, Ukraine got fully involved and have its Action Plan developed and turkey is also covered in the Report.

Part of the study was to design and organize training for relevant experts from Beneficiaries. The main deliverables of the study are action plans for harmonization of energy statistics with the agreed common platform for each Beneficiary and Road Map on the Energy Community level.

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) 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 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.

The topic, however, should be reviewed in 2011, following two important issues: changes within the relevant EU standards and ongoing processes in the Contracting parties, including some regional relevant projects and technical assistances.

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' authorities, the Secretariat launched a mission in April 2010, 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.

Within 2010, Moldova became a member of the Energy Community (01.05.2010). Since then, the country is actively supported along the implementation process along the deadlines, agreed in the Protocol for its accession.

The Secretariat also continued to provide assistance to Ukraine on its way to accession – thus, the Secretariat organized a special Energy Community mission in Ukraine in October 2010, which provided several substantial results:

- Review of the state of play on both institutional and legislative level;
- Background for the development of a Road Map of activities in relation to Ukraine's accession to the Energy Community (submitted officially to Ukraine in December 2010);
- Steps towards streamlining of activities of different stakeholders (EC, World Bank, EBRD, USAID etc.), concerning the support of the country towards the Energy Community related activities.

The mission was strongly supported by EC.

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 1st 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 2nd Vienna Energy Club²⁴ (VEC) meeting, which brings all the eight energy related international organizations with a seat in Vienna together, took place on 16 February 2010. Whilst the meeting was organized by the Energy Community Secretariat, a representative of the International Energy Agency was invited to deliver the key note speech. The 3rd VEC meeting took place on 1 October 2010 and was hosted by OPEC Fund. Mr. Kandeh K. Yumkella, Director-General of UNIDO acted as a key note speaker of the meeting.

²⁴ 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.

With reference to the OSCE Parliamentary Assembly, raising awareness of parliamentarians across the region posed 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.

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 9th 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"²⁵. 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 took place on 23.09.2010 in Skopje.

2010 also marked the second regular meeting between the Energy Community Secretariat²⁶ and the diplomatic corps of the Contracting Parties, EU Member States, Observers and some other guests.

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.

The event management activities of the Secretariat included – both – the preparation of the meetings on substance (agenda, writing the minutes etc.) as well as administrative support. On the official list of the Energy Community meetings there have been meetings of its institutions as established under the Treaty as well as number of other meetings ranging from the official visits of the representatives from the energy sectors across Europe, diplomatic meetings, workshops with the purposes of widening the objectives of the Energy Community Treaty and trainings its participants. Further, workshops related to the implementation of the Studies under execution for the purpose of topic deepening were called up.

²⁵ The study is available on the NALAS web site: <http://www.nalas.eu>

²⁶ The first meeting of this type was organized in 2009 upon initiative of the Energy Community Secretariat.

In total 68 officially registered meetings within 2010 were organized by the Energy Community Secretariat. Most of the meetings took place at the seat of the Secretariat in Vienna, for the rest the venue was followed by the provisions of the Treaty (Athens Forum) and or as decided by the Ministerial Council of the Energy Community (i.e. Oil Forum). The resources required for the management of events required efforts of the administrative staff (assistants, website administration) as well as experts competences for the substance of the meetings. The administration of the meetings included also activities of refunding managed within the financial unit of the Secretariat.

3. NEW INITIATIVES IN 2010

3.1. Energy Community Days

The Secretariat launched an initiative for meetings with each Contracting Party at the highest level. These meetings, at which the Secretariat welcomed in its premises delegations of the Contracting Parties, lead by the responsible minister, provided the possibility for focusing in concrete and in details on all open issues, concerning the implementation process.

In 2010, such meetings (Energy Community Day of a Contracting Party) took place with delegations from Albania, Former Yugoslav Republic of Macedonia and Montenegro. The tradition continued successfully at the beginning of 2011 with the Day of Serbia in the Energy Community in January 2011 and shall continue with the other Contracting Parties.

3.2. Common PHLG-ECRB meetings

Noting the necessity of stronger coordination and cooperation, the Secretariat proposed regular common meetings between PHLG and ECRB.

On 30 June 2010, the first joint meeting of the PHLG and ECRB took place in Vienna. The following topics were discussed: Gas Ring, Coordinated Auction Office, harmonized licensing and vulnerable customers' issues.

This meeting constitutes the basis for further deeper cooperation between PHLG and ECRB. Thus, the Energy Community programme envisages these meetings to continue.

C. CONCLUSIONS

At this stage of implementing the biannual Energy Community Work Programme for 2010 – 2011 it is hardly possible to make principle conclusions for the whole Programme period. However, the current status of implementation of the Work Programme of the Energy Community indicates that for 2010 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.