

Regional Cooperation in Gas and Electricity in the Black Sea Area

The experience of the EU and the Energy Community

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Black Sea Region is important for EU...

- **Regarding Gas:**

- The most promising area for diversification of supplies and import routes

- **Regarding Electricity:**

- Synchronization of the grids is progressing fast
- A promising “partner” in sharing security of supply and RES
- Part of the wider EU-Mediterranean Partnership

- **However:**

- A “remote” area, with no clear and transparent framework for infrastructure development and operation
- Recent evolutions (crisis, unconventional gas and LNG, small cross border interconnectors, northern sources) may affect this importance in the short term

➤ **Time is an increasingly important element of the process**

EU is progressing fast...

- ... On the road that started with the Energy Charter (almost 20 years ago)
- The 1st Energy Package (1996 and 1998)
- Then the 2nd Package (2003)...
- And learning from its failures, decided to proceed with the 3rd *Energy Package* (2009):
 - A dynamic set of 2 Directives and 3 Regulations with gradual implementation *which has already started*

...With its New EU Energy Governance:

- Clear and strong provisions regarding unbundling of the TSOs
- A European Regulator (ACER), with specific competences regarding cross-border energy market issues
- Two EU TSOs (ENTSO-E, ENTSO-G) with specific responsibilities regarding:
 - ◆ The development of the EU-Wide grids (10 Year Development Plans) in close collaboration with the national TSOs and ACER
 - ◆ The development of binding rules for the operation of the transmission grids and the markets (covering 11 “areas”)
- Specific provisions for the protection of vulnerable customers
- Enhanced security of supply provisions (especially for gas)
- Stronger role for National Regulatory Authorities

Results are promising

- There are already regions in the EU, where strong market convergence is taking place:
 - ◆ North Western (both for electricity and gas)
 - ◆ Iberian market, All Island (Ireland), Central West-Nordic (electricity)
- The establishment of the IEM in the next 5 years (electricity) is more possible than ever before
- Things are more difficult for gas, but the anticipated new Security of Supply Regulation, along with the development of new (small) interconnectors and the enforcement of the legal provisions will enhance gas trading and change the picture
- The process for the establishment of the IEM is not reversible
- An open market area, at the Western Part of the Black Sea region is being established

The Energy Community

- Following the conclusion of the *Energy Community Treaty* (2005)
- Under the auspices of the EU and the International Donors Community
- The countries of the region (mainly Western Balkans) have undertaken **bold steps** towards economic reform, including in the energy sector
- Reforms are performed along the lines of the EU Energy Aquis (for the time being under the 2nd Package)
- Governance similar (in some respect) to the one put in place in the EU
- **However**, The Energy Community was a “Special Purpose Vehicle” with the view to prepare SEE countries for accession to the EU

Are there lessons for the Black Sea Region?

- **Obviously and importantly** neither the EU Aquis nor instruments like the Energy Community Treaty are necessary to implement to the Black Sea region
- **However**, there are some important points that should be kept in mind:
 - ◆ The new EU energy reality has to be properly understood
 - ◆ Some of these elements could be exploited
 - ◆ Strong political cooperation is vital
 - ◆ Optimization of energy infrastructure developments is easier over the broader scale of a region rather than at the level of a single country
 - ◆ Attract Investments by providing a stable regulatory and market environment
 - ◆ Facilitate foreign capital inflow
 - ◆ Enhance Security of Supply
 - ◆ Preserve economic competitiveness and affordability for consumers

The role of the Energy Charter Process

- Provides **strong political** support to the countries
- **The Energy Charter Treaty**, is a well proven legal instrument, which will continue to play a **vital role** in promoting energy investments in the region
- Perhaps, in the discussion for **modernization of the EC Treaty** the specificities and the needs of the countries of the region and their Partners in EU would lead to:
 - Elements for stronger coordination
 - Mechanisms not only for *ex-post* but also for *ex-ante* implementation
 - Develop a framework for the monitoring of the progress and the potential revision of its implementation

The role of the Energy Charter Process (2)

- For over 20 years has made positive contribution to:
 - **Enhance coordination of efforts**
 - **Dispersion of information**
 - **Maintaining leadership and technical assistance:**
 - **Keep the market players and the governments informed on the evolutions “on the other side”**
 - **Maintaining and enhancing the operation of the discussion forums (working groups, conferences)**

Conclusions...

- The mutual interests of the EU and the Black Sea region countries must be exploited in a *fair and equitable way*
- Efforts to increase mutual understanding should be strengthened
- Existing instruments and structures should formulate the basis for this reform, taking into account the new evolutions in a rapidly changing market place
- The sooner the opportunities are exploited, the better for the EU and the countries of the Black Sea region
- It will be a cumbersome and time consuming procedure
- Success will depend on the steps taken and **interim results**
- Strong political will and support is required, **mainly from the countries of the region themselves**

Thank you...

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