Governing Regional Cooperation in Central and South East Europe

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Sept. 30th, 2015
Working Breakfast meeting European Parliament, Brussels
Regional Energy Cooperation: A Solution

- Regional Cooperation – a stepping stone to an Internal Energy Market in CSEE

- Unprecedented political momentum in the region - explicit mention in the Energy Union Package and the establishment of the Central and South-Eastern European Gas Connectivity (CESEC) initiative – can be used to address the issues unresolved to date

- Regional Cooperation has already been operationalized as an approach through CESEC
Governing Regional Energy Policy Cooperation in CSEE, Behrens & Dimitrova CEPS
Existing CSEE Regional Initiatives

- South East Europe Cooperation Process (SEECP), 1996
  - parliamentary and executive powers cooperation through a committee dedicated to Economy, Infrastructure and Energy

- Energy Community (EnC), 2004
  - Permanent High Level Group
  - Projects of Energy Community’s Interest (PECIs)
  - Dispute settlement mechanism

- European Network of Transmission System Operators for Electricity (ENTSO-E), 2009
  - Continental South East region, the 8th region (Italy, Slovenia, Croatia, Hungary, Romania, Bulgaria, Bosnia and Herzegovina, Serbia, Montenegro, FYROM, Greece, Albania, Kosovo*, Turkey)
  - Ten-Year Network Development Plan (TYNDP) (non-bidding)
  - Electricity Projects of Common Interest (PCIs)

- European Network of Transmission System Operators for Gas (ENTSO-G), 2009
  - Gas Regional Investment Plan (GRIP) – the Central Eastern Europe and the Southern Corridor
  - Neither of these includes the Western Balkan countries or Turkey
  - Also TYNDP and PCIs
Existing CSEE Regional Initiatives

- Agency for the Cooperation of Energy Regulators (ACER), 2009
  - South South-East Regional Initiative (Austria, Bulgaria, Croatia, Cyprus, the Czech Republic, Hungary, Greece, Italy, Poland, Romania, Slovakia and Slovenia)
  - Guidance.

- South East Europe Coordination Action Office (SEE CAO), 2012
  - Greece, Croatia, Montenegro, Bosnia and Herzegovina, Albania, Kosovo* and Turkey

- South Eastern European Power Exchange (SEEPEX), expected 2015
  - Serbia, Montenegro, Macedonia

- Central East South Gas Connectivity CESEC High Level Group, 2015
  - The European Commission, Austria, Bulgaria, Croatia, Greece, Hungary, Italy, Romania, Slovakia, Slovenia, Albania, Bosnia and Herzegovina, FYROM, Serbia, Moldova and Ukraine
  - Kosovo and Montenegro were not signatories to the Memorandum of Understanding
  - Focused on natural gas connectivity but foresees expansion of scope to electricity, heating and cooling
• **OPPORTUNITIES**
  • SECURITY OF SUPPLY
  • SYSTEM RESILIENCE
  • ADDRESS REGION-SPECIFIC CHALLENGES
  • ECONOMIES OF SCALE
  • BALANCING RENEWABLE ENERGY INTERMITTENCY
    • storage capacity

• **RISKS**
  • Distinct regions cooperating cross-regionally but not sharing a common vision, EU energy and climate objectives
Challenge I: Geographic Definition

CESEC High Level Group offers the most inclusive geographical definition

- Challenge: Ukraine’s and Moldova’s energy sectors may be in need of different solutions, not applicable to the other members of CESEC
- To guarantee CESEC’s effectiveness, Turkey, Kosovo and Montenegro need to be integrated in the process at an early stage

Proposal

Voluntary Opt In:

- Starting with the CESEC definition, “coalitions of willing” may address specific Thematic Groups

Thematic Groups (as identified at a regional workshop in Sofia)

- Electricity: regional emergency frameworks, regional market and market coupling
- Heating and Cooling
- Natural Gas: physical connectivity, security of supply, market integration and gas hubs
- Renewables
- Energy Efficiency and Energy Storage
Challenge II: External Dimension

- An Immediate priority: develop ‘mechanisms for co-operation’ with countries not belonging to the EU or the Energy Community
- Energy Union membership before EU membership

TOOLS:
- EU Energy Diplomacy Action Plan signed on July 20 as part of the Foreign Affairs Council Conclusions
- National Energy and Climate Plans, Energy Union
- National Plans for Competitive, Secure and Sustainable Energy, The 2030 framework
Challenge III: Connectivity

HARDWARE
TYNDP – binding or non-binding?
Converging PCIs and PECIs with priority projects under CESEC’s Memorandum of Understanding – a long awaited example of regional infrastructure planning – yet more is needed

SOFTWARE
Carrots or Sticks to enforce market rules and coupling?
- the power of infringement procedures
- enhancing ACER’s independence and enforcement capacity
- lack of market liquidity and inadequate market price signals
- market liberalisation and energy poverty
- What carrots?
If true regional cooperation is to be achieved, financing instruments need to be aligned.

CESEC identifies potential challenges to natural gas infrastructure financing and a similar process has to take place for electricity infrastructure and other areas where a potential for regional cooperation is seen.

Existing Energy Infrastructure Financing Frameworks to name a few:
- Connecting Europe Facility and PCIs
- Western Balkans Investment Framework and PECIs
- Juncker Plan (EFSI)
Challenge V: Governance

- CESEC offers an effective framework for regional energy policy cooperation in CSEE
- Adaptation through
  - Voluntary Opt-In to involve all interested parties (including those external to the EU)
  - Extending beyond natural gas issues through establishing thematic groups
Five Key Issues

- Geographic definition and address the need for an external dimension
- Ensure connectivity: fix hardware and software
- Align finance
- Governance: CESEC + Opt In + Thematic groups
- The role of the EP
- Next steps