

## **Eastern Partnership**

### Platform 3 - Energy Security

#### **Approved Work Programme 2012-2013**

The Eastern Partnership Platform on Energy Security (hereinafter "Platform 3"), established by the Eastern Partnership Summit of May 2009, met for the first time on 17 June 2009 and has had biannual meetings since then. In November 2009, Platform 3 agreed on core objectives and a Work Programme 2009-2011. The four core objectives were: enhancement of framework conditions and solidarity; support for infrastructure development, interconnection and diversification of supply; promotion of increased energy efficiency and use of renewable sources; regulatory framework and approximation of energy policies.

The Platform confirms the validity of the core objectives.

The Platform furthermore confirms that its work should be based on a number of principles such as the need to adopt a gradual and selective approach taking into account the available resources and the need to find synergies and complementarities with other initiatives in the region such as the Baku Initiative and the Black Sea Synergy.

The regional technical cooperation programme INOGATE, and its Secretariat, will continue to support the work of the platform through the ongoing and upcoming regional energy projects.

In September 2011, the Eastern Partnership Warsaw Summit reviewed progress in the energy sector and agreed on further orientations for Eastern Partnership work in the sector. These orientations have been taken into account in this work programme.

Taking account of the above, Platform 3 will aim in particular, in its activities at full integration of European energy markets through approximation of regulatory framework and; ensuring stable and secure energy supply and transit; high level of nuclear safety in countries operating nuclear installations and sufficient transparency towards their own citizens as well as towards neighbouring countries, with respect to relevant international Conventions and agreements; and establishment of a legal and regulatory framework facilitating energy efficiency and the use of renewable energy.

The Platform will, in its work, take account of the provisions of existing policy instruments such as the Energy Community Treaty, the Energy Charter Treaty the relevant provisions of forthcoming Deep and Comprehensive Free Trade Agreements as well as the EU and international rules and practices regarding nuclear safety and security.

Given the recent establishment of the Platform and the long term, complex nature of energy reform, ongoing activities under this Platform will be continued and, as appropriate, given more focus under the work programme 2012-2013.

Taking the above into account, Platform 3 decides on the activities below for the period 2012-2013.

### **Activity 1: Approximation of the regulatory framework**

[Continuation of activity 5 under Work Programme 2009-2011]

Approximation of regulatory framework has a lot of potential in contributing to security of supply via opening and liberalisation of energy markets. Such reforms will contribute to a better functioning market and lead to higher degree of investments and returns on those investments.

Building upon the experiences and achievements of the Energy Community Treaty and of the Energy Charter Treaty, the Platform will focus on regulatory issues of common interest. The recent enlargement of the Energy Community Treaty to new members and its extension to new areas of the EU energy acquis has shown how effective and attractive cooperation on the regulatory framework is. One particular focus of the work should be on market opening and liberalisation. This includes transparency of networks and storage, i.e. use and availability of the infrastructure and on implementation of a transparent and non-discriminatory access regime to new and existing cross-border transmission infrastructure. Another focus could be the regulatory framework in the field of nuclear safety. Workshops and training sessions on various aspects of EU and partner countries' energy legislation will be organized, including within the framework of the INOGATE programme. Case studies of projects where the regulatory/administrative barriers or the lack of cooperation among regulators represented the main obstacles to infrastructure development may also be presented.

Two works have been identified in the field of regulatory approximation with the initiative and support of the European Energy Regulators (EER), to facilitate the exchange of experiences in regulatory frameworks and practices across European borders through enhanced cooperation with the regulators of neighbouring countries involved with, among others, the Eastern Partnership (EaP) platform of energy security.

As a first step, EER would propose to organise a workshop under the EaP umbrella focused on the regulatory frameworks and energy policies of partner countries. After the workshop, EER and the EaP members would have the possibility to evaluate the joint discussions and to consider further work of mutual interest, possibly establishing a common plan for deepened dialogue and cooperation. Further topics of common interest for a second workshop may notably include regulatory tools in support of infrastructure development, interconnection and diversification of supply.

As a matter of balance, it is proposed to hold these workshops alternatively in the European Union and in a partner State. The target audience of these workshops would consist, in addition to the members of the EaP platform on energy security, of the regulatory authorities of the EaP countries.

These workshops will be organised in synergy with other initiatives in the region such as the INOGATE programme as well as building upon the achievements of the Energy Community, the Energy Charter and the Black Sea Synergy.

## **1. Workshop on the regulatory framework and approximation of energy policies**

- *The regulatory model and the role of the regulator*

Introducing an adequate legislation and regulatory framework is a prerequisite for establishing well functioning energy markets – but not sufficient. In addition, good practices and codes of conduct must be developed by the various participants in the markets. Here, several countries of the European Union have gained considerable experience that can be shared with partnership countries, regarding questions like: how does the national regulatory authority work? What are its main priorities? How is secondary legislation developed? How is the dialogue with national stakeholders performed, including customers?

- *Legal framework for the regulation of network tariffs*

Legislation instrumental to an efficient regulation of the network monopoly is a prerequisite for a functioning liberalised energy market, with sufficient incentives for investment in developing the infrastructure.

- *Market design and unbundling*

Unbundling is fundamental to a functioning market and essential in order to create an investment climate with propensity to support the development of the infrastructure.

- *Customer perspective*

Issues concerning customer protection, customer rights and vulnerable customers become crucial when markets are liberalised. Which implications do the liberalised markets have on the energy regulation when looking at vulnerable customers?

## **2. Workshop on regulatory tools in support of infrastructure development, interconnection and diversification of supply**

A follow-up workshop focused on infrastructure development, interconnection and diversification of supply could be organised, notably to discuss the following issues:

- *Transmission*

In a viable regional power system or gas grid, transmission capacity, adequate interconnections between countries, as well as broad regional cooperation, are essential for attaining support for infrastructure development.

- *Smart grids and smart metering*

To reinforce the transmission capacity and to diversify energy supply resources by e.g. promoting renewable energy sources, like wind power and photovoltaic – both energy sources highly intermittent - the development of the infrastructure exploiting the possibilities of new technology is essential in order to attain diversification of supply and effective infrastructure.

- *Regulatory aspects of infrastructure development*

The EU side will present the regulatory provisions applying to infrastructure developments in the EU, notably based on the implementation of the Third Energy Market Package.

## **Activity 2: Development of electricity, gas and oil interconnections and diversification of supply**

[Continuation of activities 1 and 2 under Work Programme 2009-2011]

Integration of European energy markets requires a set of common rules and standards in the energy sector as well as development of relevant infrastructure. Integration is a gradual process and should take due account of strategic interests and priorities of the interested partners. Integrated energy markets allow for an increased competitiveness, diversification of energy supply sources and transit routes, and leads to an enhancement of energy security of supply.

Implementation of this activity requires political and practical support for the creation of regulatory, legal and technical preconditions for securing the parallel work and integration of power systems of partner countries and their EU neighbours in order to diversify energy supply sources and transit routes. Therefore, this activity will focus on identifying the underlying causes of insufficient infrastructure development in partner countries, and on improving the conditions for market-driven infrastructure development.

In addition it is suggested that:

- Platform 3 participants examine projects of common strategic importance in oil, gas and / or electricity. The projects will be identified on the basis of predefined and agreed criteria demonstrating the level of priority (e.g. regional impact, bankability, available government support, environmental impact, etc). The presented projects should have a direct and significant impact of energy security of at least one EU Member State and one Partner Country and should not be contradictory with the Ten-Year Network Development Plans in electricity and gas.
- Identify the state of play (legislative, regulatory, financial framework, including available financing sources such as own financing, private sector, IFI involvement, etc. and possible financial gaps), the remaining gaps for a start of these projects, expected time-schedule for their implementation and their concrete deliverables in terms of security of supply, market integration, enhancement of diversification etc.
- Concerned countries will prepare on a voluntary basis a comprehensive description of these projects (including a detailed information on which projects are facing only regulatory barriers and which are those, which require public support lacking interest from the market to implement them) and will submit it to the INOGATE Secretariat, that will collect and compose all information in collaboration with the Secretariat of the Platform 3, for presentation and review at the Platform in the presence of the IFIs. Consideration of possible financing sources under existing facilities (e.g. Neighbourhood Investment Facility (NIF), Eastern European Energy Efficiency and Environment Partnership (E5P), Eastern Partnership Technical Assistance Trust Fund (EPTATF) etc.) could then take place in relevant fora of these instruments.
- In support of these projects, the European Commission will also keep sharing information and advising on further developments of EU legislative and regulatory framework, and harmonization of energy policies, and assisting the interested partners in the creation of necessary legal and regulatory conditions thereto.

Partner countries will regularly provide information, at Platform meetings, regarding updates of their policies of energy security of supply, legislative developments in this area and progress made with identified key projects.

The Platform will discuss key interconnection projects, including LNG facilities, having a direct and significant impact on security of supply, either because they increase the resilience of the existing energy system or because they open new supply routes and / or sources. This activity will involve the concerned transmission system operators and their organizations. It will in particular take into account the ten years infrastructure development plan to be developed by the gas and electricity transmission system operators pursuant to the provisions of the Third Internal Market Package, the Trans-European Energy Network (TEN-E), as well as the existing regional initiatives in the Baltic, Black Sea and Caspian regions.

**Furthermore a workshop will be organized under this activity on oil infrastructure. Expansion and modernization of transit and transportation routes in oil is a key element for diversification and security of supply / demand chain.**

The workshop will have a closer look in main interconnection projects, such as:

- Development of Euro-Asian Oil Transportation Corridor;
- Extension of oil transportation system in Ukraine;
- Maintenance of the Druzhba pipeline to sustain oil flows to the EU;
- Infrastructure development for the supply of Azeri oil to the EU;
- Enhancement of Georgian gas transportation system.

The workshop will also have a special focus on oil refinery issue.

### **Activity 3: Stakeholders dialogue in energy efficiency and renewable energy**

[Merge of activities 3 and 4 of the Work Programme 2009-2011]

Endogenous sources of renewable energy, if exploited to their full potential, significantly contribute to energy security by decreasing external dependency of fossil fuels. At the same time, in the electricity sector, connecting large generation capacities powered by renewable energy, especially hydro, wind and solar, often require to adapt the generation and transmission system. In many cases, a regional approach might bring about optimal results.

The EU will continue to support the implementation by partner countries of the EU directives on renewable energy and energy efficiency and energy saving including within the context of the future Association agreements.

A large range of EU initiatives and programmes aims at promoting investments in renewable energy sources. In particular, the Platform will keep supporting a participation in energy efficiency initiatives such as the Covenant of Mayors<sup>1</sup> for which a special branch of the

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<sup>1</sup> The Covenant of Mayors, a European Commission initiative, is a commitment by signatory towns and cities to go beyond the objectives of EU energy policy in terms of reduction in CO<sub>2</sub> emissions through enhanced energy efficiency and cleaner energy production and use.

Secretariat has been established in the Eastern Partnership region (Lviv and Tbilisi) as of September 2011. Furthermore, it will endeavour to promote participation of the EaP countries in the EU “Intelligent Energy Europe” Programme including access to EU ManagEnergy initiative<sup>2</sup>, the extension of the Eastern Europe Energy Efficiency and Environment Partnership to further partners, information on key renewable energy projects and other programmes set-up by Donors and International Financial Institutions.

Dedicated meetings will be organised with the involvement of programme promoters, industry, donors and International Financial Institutions, with the objective to disseminate information, exchange best practise and encourage use of presented financial incentives and networks.

The Platform will keep facilitating participation of Partner Countries in EU promoted events and seminars in this area. Furthermore activities in this area will be supported through the INOGATE programme that includes dedicated support in the field of Renewable Energy and Energy Efficiency for the Eastern Partnership Countries.

#### **Activity 4: Cooperation in establishment and strengthening of a regulatory framework in nuclear safety**

[New activity]

Several EU Member States and Partner Countries use nuclear energy, and some countries intend to build nuclear power plants in a near future. While decisions on the use of nuclear energy belong to national sovereignties, in case of potential accidents, implications may touch also other countries - some of them non-nuclear. Therefore, the EU and partner countries have a common interest for a high level of nuclear safety.

Events in Japan in March 2011 highlighted concerns about nuclear safety, and have led to considerations about the necessity to review nuclear power plant design safety and operational safety. In the EU, it resulted in nuclear safety and risk assessments, to which other neighbouring countries (from Partner Countries: Armenia, Belarus and Ukraine) that own or plan to own nuclear power plants - have been invited to associate. At a Ministerial meeting of 23 June 2011, a joint Declaration was endorsed, thus confirming the willingness of these countries to take part in this European approach.

In parallel, the EU intends to strengthen its cooperation with third countries, and in particular with the EU neighbouring countries, within the Instrument for Nuclear Safety Cooperation.

In this respect it is suggested that Platform 3 provides a concrete contribution for strengthening nuclear safety in the Partner Countries. It is suggested that every main Platform 3 meeting reserve some time to nuclear safety matters within which:

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<sup>2</sup> ManagEnergy is a European Commission initiative to support the work of actors working on renewable energies and energy demand management at local and regional levels

- Partner countries that use or plan to use nuclear energy, submit their priority projects that they wish to be eligible for assistance under the Instrument for Nuclear Safety Cooperation. As the Instrument for Nuclear Safety Cooperation also covers other types of assistance including safe management of spent radioactive sources and radioactive waste, which may be produced by other “non-nuclear” entities (e.g. hospitals), also non-nuclear Partner Countries may have an interest to apply.
- The Platform would be used to present and discuss these projects between Partner Countries, EU Member States and the European Commission services, which will then be suggested for consideration under the Instrument for Nuclear Safety Cooperation. The aim is to encourage a pro-active role of the interested countries and to facilitate preparatory stage of identification and selection of projects under the mentioned Instrument.
- Platform 3 meetings will also be used to update on the status of the discussed projects.

Furthermore, a **workshop** will be held with focus on two main elements: comprehensive risk and safety assessments (‘stress tests’) and Instrument for Nuclear Safety Cooperation.

Following the Fukushima-Daiichi accident, the EU undertook to establish and proceed with stress tests, aimed at verifying whether the safety margins used in the EU nuclear power plants are sufficient to cover various unexpected events. While these assessments are conducted on a voluntary basis, all EU nuclear operators have participated in this exercise and submitted their progress reports on the basis of the established criteria of the stress tests. Following finalisation of national reports by the end of this year, independent peer reviews will be organised from January to April 2012. The full exercise is planned to be finished in June 2012.

The workshop would aim to inform about the process of the EU ‘stress tests’ and especially about their final results, as well as about drawn conclusions and follow-up actions. Partner countries that are going to implement similar ‘stress tests’, will as well present their exercises and progresses.

In the second part of the workshop, the Instrument for Nuclear Safety Cooperation will be presented (e.g. type of nuclear safety cooperation; conditionality of projects’ eligibility; process of projects’ approval and financing agreements prior to implementation). The workshops may be supported by presentations of beneficiary countries.

Besides, the European Commission will update on the most recent legal initiatives in the area of nuclear safety and radioactive waste management.

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To facilitate regional cooperation among Partner Countries and with EU Member States it is planned to organise Platform 3 meetings both in Brussels and in partner countries. These meetings will allow having a ‘special focus’ on a host country, with presentations dedicated to its energy policy, investment opportunities, and legislative framework facilitating foreign investment and international cooperation in energy field