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Presentation to Eastern Partnership Platform 3 on Energy Security 19 June 2015

Global assessment of the EU support provided in the field of energy in Eastern Partnership countries and Central Asia (2007 – 2013)

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Aim of the project

From the ToR there were 4 objectives (summarised here):

- a) An analysis of the past and ongoing performance of the different **regional aid instruments and modalities** used in the energy sector.
- b) An overall analysis of the results and impacts of past and ongoing regional project actions
- c) An identification of **medium to long term (5-10 years) needs** of partner countries, and relevance of EU support to address them.
- d) A series of **recommendations on the design and preparation of projects** or programmes for the regional energy sector.

What we have done

Phase I Preparation and visits to countries summer 2014

- Started 24 June 2014
- Team of 4 experts:
 - Helene Ryding Team Leader
 - Iñigo Arencibia covering Belarus, Moldova, Ukraine, and Turkmenistan
 - Jake Delphia covering Armenia, Azerbaijan, Georgia
 - Kyriakos Argyroudis covering Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

Phase II Reports and discussion with DG NEAR/ DEVCO autumn and winter 2014

- Mission reports were prepared for each country.
- A report was prepared in two stages, first for discussion with DG NEAR.,
- A second version after a further set of revision and comments from DG NEAR was issued for comments to stakeholders in February with comments due March 6.
- Revised report in March.

Phase II Consultations Spring 2015

- Main Report issued in English
- Executive summary in Russian issued
- Presentation to Beneficiary countries on 28 April
- Comments invited by end of May.

Phase III Recommendations

- Results presented today.

This project is supported and guided by the European Commission and presented by AETS. The presentation does not necessarily reflect the views and opinions of the European Commission.

Energy policy framework going forward

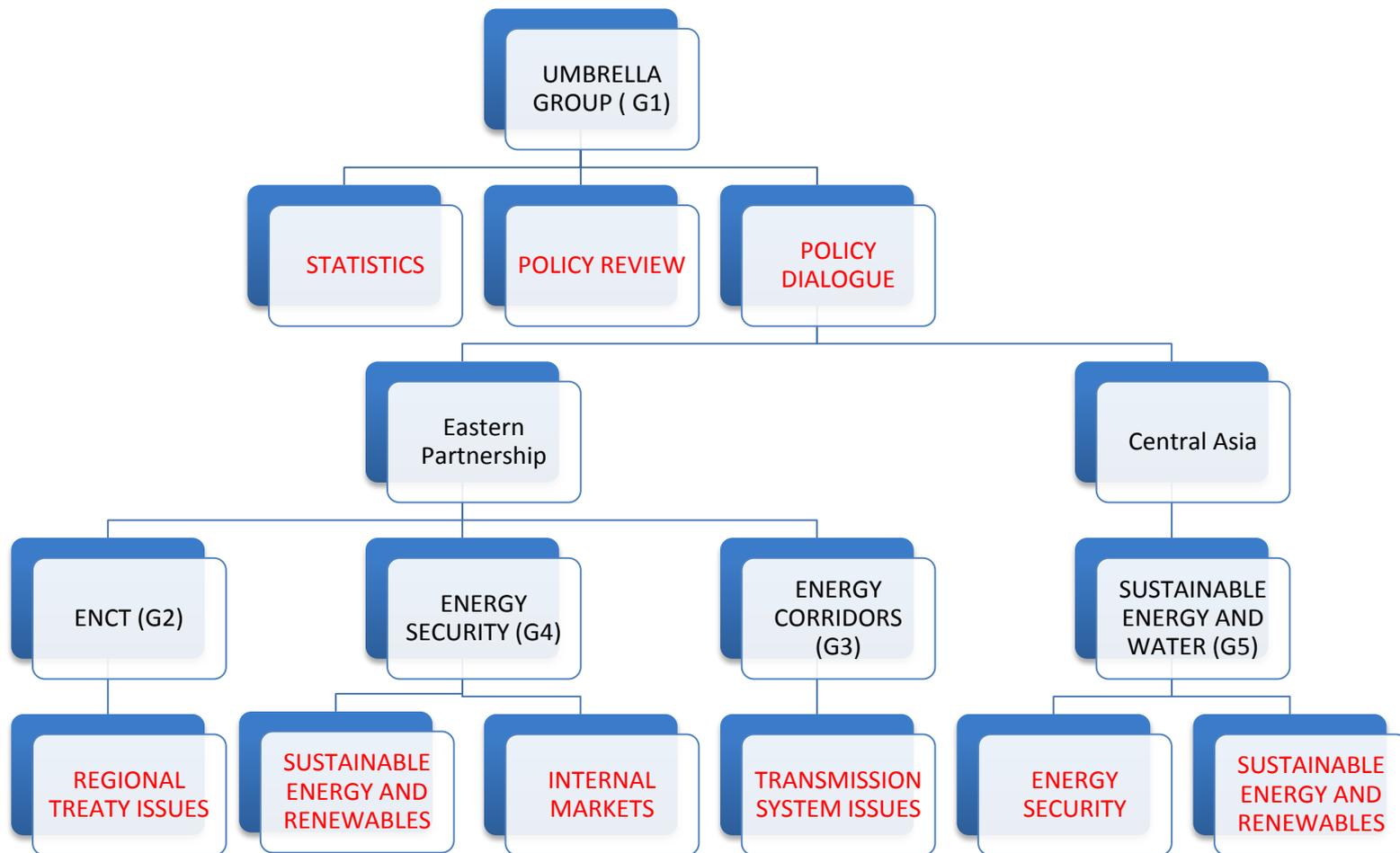
The current political relations in energy policy between the 11 countries and the EC can be summarised as follows:

- Regional energy markets are likely to converge around different trading associations (EU/EnCT and EAEU), but little is known about the EAEU at the moment;
- Sustainable energy development (energy and water, in the case of Central Asia) is of considerable interest to all countries; support is needed, to enhance energy security as well as for climate change mitigation;
- Investment projects are increasingly funded by blending mechanisms jointly managed by the EU and IFIs, with the EU seeking to limit the grant funding for projects of priority to the EU or the country concerned, as well as making the grant conditional on necessary reforms;
- The EU's own energy security in diversification of gas supplies away from Russia should be pursued separately though it can be supported by the activities in the programme.

Assessment implications for regional programme

- Different success criteria between the EU and the beneficiary countries;
- Different degrees of success using different instruments;
- Countries now have different commitments, interests and developments in policy areas, and are moving at different speeds;
- The regional programme needs to deliver more country specific assistance on tasks of legislation and implementation;
- Resources need to be spread less thin, and used more effectively, with smaller more coherent groups of countries;
- The regional programme as a whole needs to be more visible and its benefits better communicated to stakeholders in the region;
- A more active policy **dialogue** is needed between the beneficiary countries directly with the EC rather than via a project or through big set-piece events.

Recommendations for 5 country groups and scope of work (red)



Five Groups of countries

- **Umbrella group** dealing with policy dialogue, statistics and energy policy review, for all EaP and CA countries;
- **EnCT/ECS**, covering regional support for Ukraine, Moldova and Georgia, and regional support for the ECS;
- **Energy Corridors**, covering the development of Transmission System Operators in regional infrastructure and trading, for Georgia, Armenia, Azerbaijan and Belarus together with Turkey and in future, Iran;
- **Energy Security**, with options (i) the work of the energy regulator and cost recovery tariffs (ii) sustainable energy and renewables; both for Armenia, Azerbaijan and Belarus
- **Sustainable energy and water**, covering energy security, energy efficiency and renewable energy, for Kyrgyzstan and Tajikistan.

For each group

General arrangements

- Formal opt-in, not opt-out as now
- Preferably with a group MoU with the EC
- The EC should chair each group.
- Joining a group should be flexible, if country energy policy changes, but commitments should be expected for the full period 2016-2020.
- An enhanced role is envisaged for the Energy Community Secretariat to manage some of the support.

Recommendations are made for Process Management of each group

- Decision-making about group membership, representation, meeting frequency and the content of the work programme
- Communications between the group and its members, and the group and its stakeholders (messages, communication channels)
- Contracting for TA support
- Technical and logistics support for each group

Recommendations are made for the Work Programme of each group

- Scope of work (after stock-taking exercise at the beginning)
- Minimum policy requirements to join the group (eg EU compliant legislation)
- Progress monitoring indicators
- Results to be achieved.

Visibility of EU regional support for energy

- Communication of EU regional support needs to be done by the EU and not left to a project in the region;
- Wide range of support, so needs to be communicated in one place with clear functionality (who uses what with whom?)
- Visibility is even more important when the programme is associated with other organisations (IEA, Eurostat, ECS, IFIs, Energy Charter, ACER, ENTSO-E, ENTSO-G)
- Don't lose the message: EU energy policy makes sense (EAEU copying EE directives shows this)

Umbrella Group (all countries)

Objective

- A regular policy dialogue between the EC (DG ENER, DG NEAR, DEVCO, EU Delegations) and the beneficiary countries, (possibly including those countries' embassies in Brussels);
- The setting up and membership of the smaller groups as necessary, and to receive and discuss their reports;
- Making recommendations about communication of EU energy policy in the region;
- Working with international energy organisations (IEA, Eurostat etc.) on neutral building blocks of policy-making in the energy sector such as: design & monitoring of sectoral policies, statistics.

Process Management

- Decision-making about group membership, representation, meeting frequency and the content of the work programme;
- Communications between the group and its members and the group and its stakeholders (messages, communication channels);
- TA in addition to technical and logistics support needed to develop and agree agendas, manage preparation of policy/working papers, oversee follow-up etc.;
- Assumes (1) a substantial expansion of the ECS capacity to support the group, and manage assistance to EaP countries; (2) an appropriate budget to be made available to finance this extension;
- Regional support heavily customised to each country, possibly on the model of SE4All.

Work Programme

- Regular Policy Dialogue with EC;
- Continuation of Statistics Work Group with IEA/Eurostat;
- Policy Review with IEA.

Statistics Group



Why are statistics so important?

- Imports and production have always been important for Ministries of Energy (linked to economic growth? Or carbon-free future?)
- Energy consumption is increasingly important for Ministries of Environment (emissions control) and service ministries (health, social services, defence, education) for public sector energy efficiency in buildings
- Without good data on consumption, no way to monitoring energy savings
- Evidence-based policy alternatives need evidence!

EnCT Group

Ukraine, Moldova and Georgia

Objective

- To support Ukraine and Moldova (and perhaps Georgia) in meeting their commitments in the EnCT, where not already covered by bilateral support;
- Support for the ECS itself in the development of regional energy strategy and energy planning;
- To transfer already provided support in Western Balkans to EaP contracting parties in a way complementary to that available in WeB through IPA;
- To develop links and communications between EU and Energy Community institutions for the benefit of Contracting Parties;
- To develop links to individual MS through EnCT where advantageous to contracting parties.

Process management

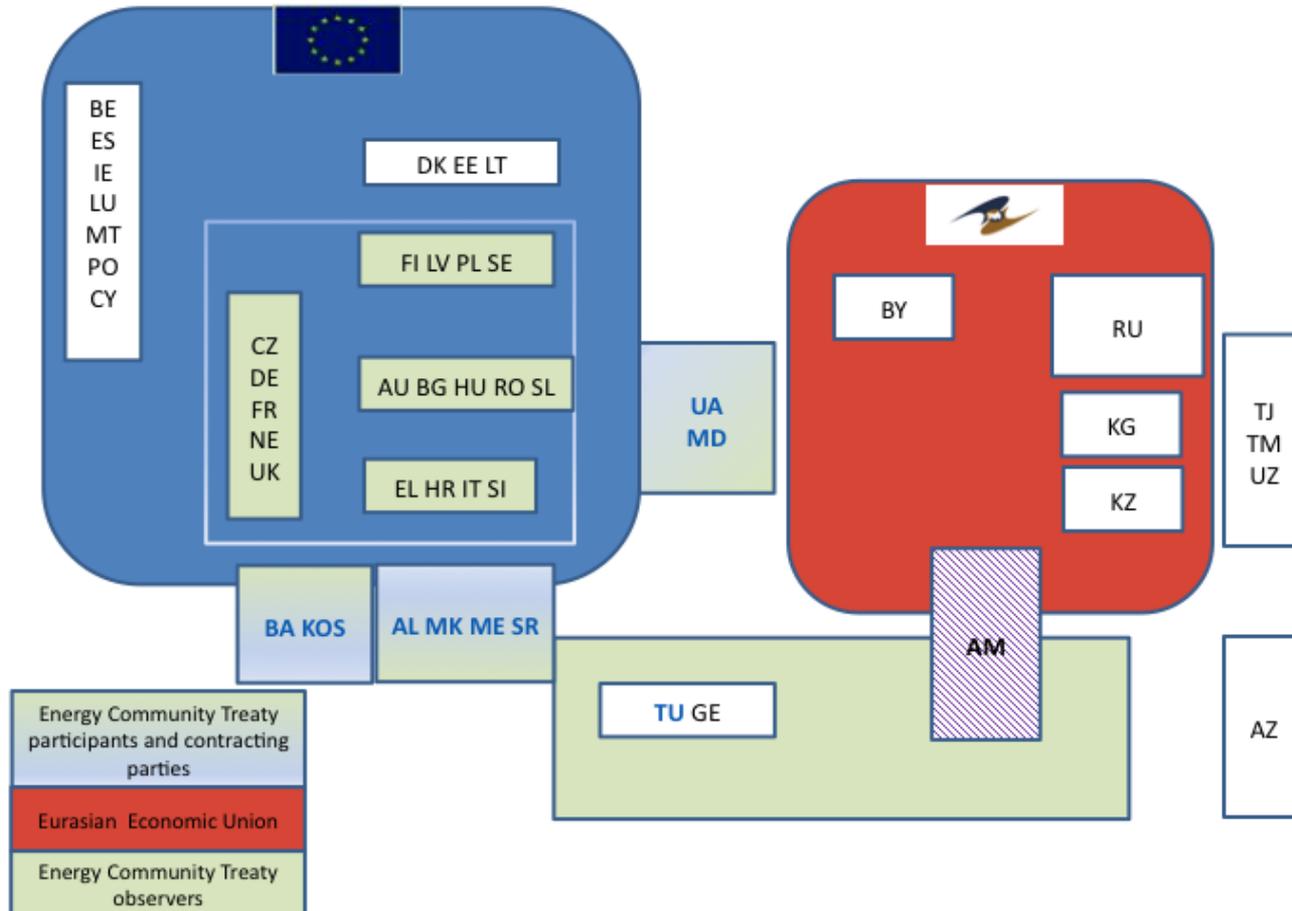
- Extension of TA provided through the ECS through a new PMU based in ECS;
- The team would operate within the normal working processes of the EnCT and ECS, contributing to ECS Working Groups and/or Coordination Groups that already operate;
- Possible ECS sub-offices in Kyiv and Tbilisi (based in EU Delegations?).

Work Programme

- EnCT regional energy strategy and regional planning (shared with WeB)
- EnCT Moldova and Ukraine coordination with WeB (use of existing tools)
- Investment project pipeline preparation for NIF on EnCT priority projects (mirroring WBIF where possible)
- National coordination for activities related to Covenant of Mayors (shared with WeB)

WeB: Western Balkans (Contracting Parties to the EnCT)

Overview of EU/EaP/CA and their energy commitments



Energy Corridor Group

Georgia, Armenia, Azerbaijan, Belarus plus Turkey and in the future, perhaps
Iran

Objective

- Support to TSO development in the region;
- To include relevant countries outside the region (Turkey now and Iran in the possible future).

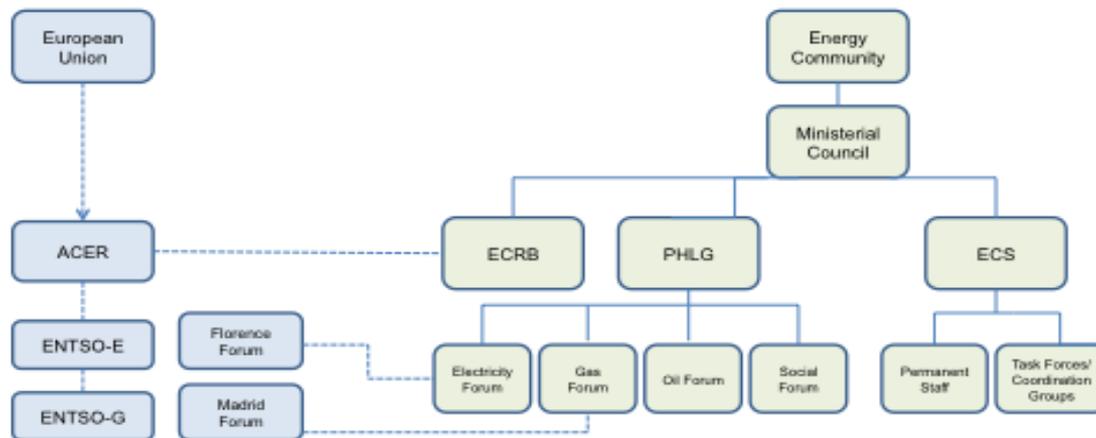
Process management

- Managed by ECS (several countries are Observers to EnCT);
- Separate groups for Electricity and Gas;
- Coordination with ENTSO-E or ENTSO-G, Energy Charter Treaty and DG Energy and DG NEAR.

Work Programme

- Development of trading arrangements with transparent use of common infrastructure, transparent cross border and transit trading and market entry reciprocity
- Legislative and economic frameworks supporting tariffs moving to cost recovery levels enabling loan payback;
- Cross border infrastructure project development leading to investment funding, especially projects which enhance EU energy security.

EU/EnCT links needed for Energy Corridors Group



- Links between EU and EnCT institutions need to be made more visible;
- EU Forum meetings need to be accessible to EnCT members;
- EnCT institutions need to be more visible in EaP, especially in Caucasus;
- Informal “twinning” should be encouraged.

Energy Security Group

Armenia, Azerbaijan, Belarus

Objective

- To support countries not in the EnCT Group to adopt EU energy policies;
- Depends on better knowledge of EAEU energy requirements, to ensure EU policies are compatible;
- Potential areas identified: (i) energy efficiency and renewables (ii) national (internal) market development.

Process management

- Two separate groups (or coherent combination of both) depending on demand;
- EE+RES: slower speed work with ECS EECG and RES group;
- Internal market: slower speed work with ECS/ECRB on support for independent regulator;
- Learning from EnCT implementation experience.

Work Programme

EE plus RES:

- Support for legal drafting of legislation adopting the relevant components of EU legislation;
- Implementation of national energy saving plans and national RES development plans in the public sector (currently being adopted in some countries).
- TA for measures to support the private sector with IFI credit lines for EE and RES measures.

Internal Market:

- Setting unbundled tariffs at cost recovery levels, including allowance for investments;
- Customer service targets and reliability of supply;
- Setting targets for the reduction of technical and commercial losses, especially within the distribution networks.

Sustainable Energy and Water Group

Kyrgyzstan and Tajikistan

Objective

- To develop complementary sustainable energy and water strategies, reflecting the countries' position in the Central Asian region with ample water resources providing hydropower (but only in summer).

Process management

- Crosscutting TA required from policy areas of DG Energy, DG Clima and DG Environment.
- DEVCO manages development strategy for Central Asia.
- Useful to build on the work of ITS/CASEP and/or to provide more capacity building for MKUR, the Inter-State Commission on Sustainable Development for Central Asia.

Work Programme

- Energy security in the form of infrastructure links/solidarity agreements for winter electricity shortages, rather than just generation capacity enlargement;
- Sustainable development and management of energy and water resources
 - Implementation of national energy saving plans and national RES development plans in the public sector (currently being adopted)
 - TA for measures to support the private sector with IFI credit lines for EE and RES measures
- Finance for pilot projects developed under CASEP;
- Access to energy and the issue of fuel poverty;
- Access to drinking water for the population;
- Access to irrigation water for agriculture more generally as well as for cotton, to assist development of SMEs.

Thank you for your attention

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