



**11th Meeting of the Eastern Partnership Platform III on Energy
Security
23 – 24 June 2014, Brussels, Belgium**

Meeting Report

Summary:

The 11th meeting of the Platform 3 on Energy Security of the Eastern Partnership was held in Brussels on 23 June 2014, back-to-back with the EU Sustainable Energy Week. Participants were invited to attend next day's event on the Covenant of Mayors initiative. There was a good level of participation and representatives from all 6 partner countries were present. Representatives from the Eastern Partnership Civil Society Forum, 13 EU Member States as well as several European institutions and project managers also attended the meeting. The thematic session focused on energy efficiency. Under any other business, participants were debriefed on the results of the 3rd workshop on regulatory issues organised in cooperation with the Council of European Energy Regulators of 27-28 May 2014 and a new tool was presented to deliver High Quality Studies to Support the Activities under the Eastern Partnership (HiQSTEP). It was proposed that the platform could develop a pragmatic way of informal cooperation between the formal meetings.

Detailed overview:

1. Opening session

The meeting was chaired by the European Commission, DG Energy, in the following order by Ms Mechthild Wörsdörfer, Olivier Silla and Hans van Steen. In her opening speech, Ms Wörsdörfer linked the work of the Eastern Partnership Platform III on energy security to the current political scenario on the one hand and on the other hand to the current political debate on the future European short term and long term strategies on energy security and on the 2030 framework on energy and climate change respectively. She recalled the political mandate from the Eastern Partnership Summit in Vilnius of November 2013 which calls for promoting "an inclusive and open policy on energy security, transportation and supply". Ms Woersdoerfer explained that this meeting's theme on energy efficiency was chosen in the light of the currently ongoing political discussions on energy security within the EU and its neighbourhood. In this context, moderating energy demand is of mutual interest to both regions.

2. Intervention by the European External Action Service

Mr Richard Tibbels (EEAS) presented the political perspective of the Eastern Partnership and the way towards the next Eastern Partnership Summit in 2015 in Riga. He outlined the

importance of an inclusive approach as to the multi-lateral cooperation under the Eastern Partnership following the Vilnius Summit and ahead of the Summit in Riga in 2015 and recalled the good progress made in several areas. Whilst there is agreement that there is a need for better differentiation in order to take into account countries' specificities, the policy pursued under the Eastern Partnership is still considered to be appropriate. Under the current challenging time for the Eastern Partnership it is even more important to keep the multilateral dialogue with all partner countries alive as an important tool for implementing the objectives agreed in the Vilnius Declaration. In practical terms this means to continue work with the three countries signing Association Agreements including Deep and Comprehensive Free Trade Areas with the EU on 27 June 2014 and at the same time ensure appropriate cooperation with the other three partner countries according to their interests. Mr Tibbels underlined the excellent timing of this platform meeting stressing that energy cooperation was one of the major pillars of the Eastern Partnership. He reminded to encompass in the activities all stakeholders including the parliamentary bodies, civil society and local authorities.

3. Thematic session

3.1 Developments of energy efficiency in the EU and partner countries' policies

Mr Erik Olsen (DG Energy) presented the ways the European Union deals with energy efficiency in the context of the 2030 Energy and Climate package. He described energy efficiency as a way to address not only climate change but also energy security and competitiveness. He referred to the EU 2020 targets which still face many challenges before all can be met notably linked to shortfalls in implementation. He elaborated on the legal framework of the EU energy efficiency policy and notably on legislation relating to products and energy performance of buildings, as well as the Energy Efficiency Directive which is currently under review. The review of progress towards the EU 2020 energy efficiency targets is due by end June 2014. The energy efficiency review is supposed to i) propose a corrective action to address the shortfall of achieving the EU 2020 energy efficiency target; ii) to consider the optimal level of ambition for energy efficiency in 2030 and iii) to present the broad lines of the long-term energy efficiency policy framework.

Ms Thea Khitarishvili, of the International Energy Agency (IEA) presented the key indicators of energy efficiency in the Partner Countries. The IEA contributes in reviewing the Partner Countries' policies in this field which is currently ongoing. A short summary report will be ready by August 2014 and the Compendium publication is foreseen in the first quarter of 2015. Ms Khitarishvili described the main review criteria related to 4 key issues: Energy Security (energy infrastructures, countries preparedness), energy market convergence (unbundling, third party access), sustainable development and investment attraction. Ms Khitarishvili presented the major common challenges which relate to robust demand growth, focus on short-term economic priorities, weak regulatory framework, aged energy infrastructures, need for smart energy investments, increased focus on the demand side management and need for improved data collection. She also indicated that the key opportunities can be found in the development of data collection and development of energy efficiency indicators, the maximisation of energy efficiency gains ("hidden fuels"), the utilisation of renewable energy potential, phasing-out import dependency (+ maximising export potential). She also presented briefly the situation in each Partner Country.

During a roundtable discussion partner country representatives presented the progress made, prospects and challenges on energy efficiency in their respective countries.

Belarus: Mr Siarhei Siamashka (State committee on standardisation) pointed out the progress made in the field of energy efficiency, especially as regards to energy generation and energy efficiency of buildings. The major challenges are related to replacing old technology by combining electricity generation and heating, combatting heat losses, buildings performance (new and modernisation) as well as to the agricultural sector which is still highly dependent on gas. He highlighted that several measures enhancing the moderation of energy use were in place. However, there was a current need for investments as other policy options have already been used.

Armenia: Mr Hrachic Tsughunyan (Ministry of Energy and National Resources) presented Armenia's concept of energy security and the country's regulatory framework including the law on energy conservation of 2004 which is currently being amended by making it compulsory and breaking it down by type of consumers. He highlighted the importance of energy efficiency in the context of energy security as well as to the smart use of renewables. The contribution of the industry to energy efficiency gains was a major challenge in Armenia. He indicated that convincing the industry of the benefits arising from energy efficiency improvements was a key to involve the business sector. Mr Tsughunyan confirmed that Armenia will contribute to the E5P fund.

Azerbaijan: Mr Rahim Abdullayev (State Agency on Alternative and Renewable Energy Sources) presented the renewable energy strategy of Azerbaijan. As to energy efficiency, he emphasised that the ongoing elaboration of legislative and regulatory framework was a major step in addressing this subject. He informed about the first Action Plan of Azerbaijan on renewables and energy efficiency and the commitment of Azerbaijan therein for 2020. Mr Abdullayev also elaborated on the cooperation with international organisations and the support they provided to Azerbaijan, including the EU-Azerbaijan cooperation which is based on a Memorandum of Understanding from 2006.

Georgia: Ms Natalia Jamburia (Ministry of energy) informed about the steps towards enhanced energy efficiency in Georgia which aim at the development of a legal framework for energy efficiency. Reference was made to the support from various international organizations including the Partnership Agreement between Georgia and the European Commission of January 2014 which focuses on supporting municipalities, e.g. via the covenant of Mayors initiative and the preparation, implementation and monitoring of Sustainable Energy Action Plans. Ms Jamburia referred to the International Sustainable Energy Forum, held in Georgia in September 2013 and to different bilateral cooperation activities e.g. in the building sector. Also in Georgia a major challenge is to bring together society, governmental entities and the private sector. Georgia has high expectations as to the implementation of the Association Agreement/Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU (signed on 27 June 2014) as it contains prominent energy provisions with the long term objective to integrate Georgia into the EU internal energy market. Georgia is also looking forward to become a full-fledged member of the European Energy Community. Georgia expects that with that besides remaining transit country it will at the same time become the legislative bridge and connector between the Caspian region and the EU energy market. Mr Nugzar Beridze (National Energy and Water Supply Regulatory Commission) completed by referring to the ongoing work of regulators on tariffs on expenditure and energy efficiency and by calling for being more attentive to the demand side.

Moldova: Mr Calin Negura (Energy Efficiency Agency) pinpointed the three main challenges of Moldova regarding energy security: its complete energy dependency, high energy intensity and low share of renewables. He also underlined the main progress achieved in the sphere of energy

efficiency: creation of a legal framework (based on EU directives), energy savings assessment stating a significant reduction in energy intensity since 2009 and reduction of GHG emissions. In conclusion, Mr Negura assessed that progress is still to be made as regards to i) improving and modernizing the energy infrastructure, ii) strengthening the promotion mechanisms for energy efficiency and implementation capacities, iii) comprehensive data management, and iv) access to financial resources.

Ukraine: Mr Andrii Chubyk (Centre for Global Studies Strategy XXI) referred to the political attention paid to energy efficiency. Despite a strong focus nowadays on energy efficiency the current level in energy intensity remains extremely high. However, trends seem to be promising. Mr Chubyk focused on gas consumption being the most vulnerable area. According to him, main challenges are the monopoly in the energy sector, insufficient transparency, low prices, weak awareness on energy efficiency, and the insufficient implementation of EU *aquis*. He also referred to opportunities: energy efficiency could decrease energy dependency, energy monopoly could be ended, prices could be increased and infrastructures could be modernised. Vitalii Grygorovskiy (State Agency on energy efficiency and Energy Savings) added that energy intensity was a real issue in Ukraine and that the strategy to 2030 was supposed to address it. However, as in many Eastern Partnership countries the issue of ownership of the energy intensive industry and the provision of state aids was another challenge. The Agency made proposals to the government on how to enhance a change in the system in order to switch from gas to other energy sources. In addition, more innovative financing was needed as all structural reforms have been implemented. Now, new projects should be the main instrument to address energy intensity and energy efficiency indicators should also bear in mind the economic structure of the country. Like Georgia, Ukraine has high expectations as to the implementation of the Association Agreement/DCFTA with the EU (also signed on 27 June 2014) as it contains prominent energy provisions including on energy efficiency.

During the discussion, participants asked questions to Moldova about its new regulatory framework and to Ukraine about biomass and financing new projects. Moldova's representative replied that it is only a framework, aiming to attract investments and spread awareness on energy efficiency. Ukraine's representative elaborated about various biomass projects and on problems that arise from subsidising projects, everybody awaiting the state to provide with all the financial means.

Representatives of the civil society presented energy efficiency as a necessity that is not "imposed", contrary to what people may think. It is a way to modernisation for ex-Soviet countries. Sweden noticed that it is good to have energy efficiency linked to energy security.

3.2 EU support to energy efficiency in the region of the Eastern Partners

The afternoon session started with a presentation on latest and ongoing EU support to energy efficiency in the partner countries.

Mr Mathieu Bousquet (DG Development - EuropeAid) presented INOGATE's contribution to enhancing energy efficiency in Partner Countries. He elaborated on the INOGATE Technical Secretariat project (ITS), aiming to support for instance the development of regulatory frameworks, capacity building and the development of Sustainable Energy Centres like in Armenia, Moldova and Ukraine. He gave examples from Azerbaijan and Belarus and emphasised that EU support can take different forms: assistance to national agencies, support to the banking sector financing energy efficiency projects, development of data collection and the

development of Energy Statistics Action Plans, carrying out specific studies. He also referred to the Ad-Hoc Expert Facility (AHEF) which provides country specific support on demand in a variety of sub-sectors related to sustainable energy.

Mr Mark Allington (expert of ITS), gave an insight in a project which develops resource mapping for sustainable energy investments. Its objective is to show information about a geographic area and its economic viability, legislation on soil, and other data. He also informed on the positive results of scoping missions held recently and he explained the technical details of the software, expected contributions from partners and the next steps.

Mr Roberto Lo Cicero Vaina (Team leader) presented the results of the Energy Savings Initiative in Buildings (ESIB) which was completed in March 2014. Its objective was to complement INOGATE by creating preconditions for sustainable energy development. This initiative provided support to related legislative development, capacity building and training, conducted surveys on banking and financing and helped setting up methodologies. Mr Lo Cicero Vaina elaborated on projects in Armenia, Azerbaijan and Ukraine. He finally highlighted that the initiative's experience showed a lack of trust in banks for investments and that the state needed to play an important role in energy efficiency and sustainable development.

The following discussion focused on the role of cost-effectiveness in fostering energy efficiency, as well as the importance of rather defining energy as a resource to provide services and not as a good. Azerbaijan highlighted that providing the opportunity for consumers to be their own suppliers may be a way to involve them. A representative of Moldova pinpointed the need for a regulatory framework, cost-reflectiveness, stability and investment attractiveness in order to develop energy efficiency projects in partner countries.

The next three presentations were related to the local and regional perspectives for energy efficiency.

Mrs Kadri Tillemann (Member of the Committee of the Regions, Mayor of Keila Rural Municipality Government in Estonia) presented the position of the Committee of the Regions, which calls for an ambitious package for 2030. She emphasised that that EU funding must be better balanced between the urban and rural dimension, as well as between small and large scale projects and decentralised energy production. Vulnerable consumers must be taken care of and access to energy renovation programs must be promoted. She took the example of a project in the rural area of Estonia to show the possibilities to increase energy savings even locally.

Mr Rob de Lobel (DG Development – EuropeAid) presented the Covenant of Mayors, a program launched in 2009 which aims to increase awareness and supports energy efficiency initiatives in municipalities with the overall objective to reduce CO2 emissions. The initiative involves local and regional authorities, voluntarily committing to increasing energy efficiency and use of renewable energy sources on their territories. Mr De Lobel highlighted that this program focuses on projects that can be easily replicated. He also informed on the new programme Sustainable Urban Demonstration projects (SUDeP) in the Eastern Partnership cities which is developed within the context of the Covenant of Mayors initiative. Its aim is to enable local authorities in the EU neighbouring partner countries to implement measures incorporated in their Sustainable Energy Action Plans (SEAPs). Nicolae Melnic, Mayor of Calarasi municipality in Moldova, presented the concrete example of his city. He explained the reasons for participating, the objectives and the on-going projects. The main domains of activity are improvement of energy efficiency in buildings and housing as well as in the transport system and the reduction of heat

losses in public buildings like kinder gardens. Mr Melnic calls for more and better cooperation in technology and innovation.

Ms Fani Kallianou (European Bank for Reconstruction and Development) presented the Eastern Europe Efficiency & Environment Partnership project (E5P), launched in 2009. It is complementary to the Covenant of Mayors. The project focuses on energy efficiency and environmental projects in municipalities with the aim to decrease energy intensity and to reduce CO2 and other greenhouse gas emissions. It was first aimed at Ukraine but has recently been extended to encompass almost all Eastern Partner Countries. It pools funding in form of grants from the EU, other donor countries, the beneficiary countries and in the form of loans of several International Financing Institutions. This program targets the municipal sector and works via investment grants and technical assistance grants. First results already showed impressive economical, operational and environmental impacts.

During the Q&A session, participants supported the presented initiatives. Azerbaijan asked for more details about the Covenant of Mayors, more precisely on the possible failure for cities to meet their targets, on financing the projects and on the nomination of cities. Rob de Lobel underlined that cities are involved on a voluntary basis and are fully responsible as to their individual action plans and focal areas. Failure rarely happened but in case signatories do not follow-up on their commitments, the support to a city can be stopped. He also added that financial support is provided only to the most interesting and easily replicable projects.

3.3 Future cooperation in the area of energy efficiency

The last part of the thematic session looked into the future possibilities of cooperation related to energy efficiency between the two regions.

In that context, Mr Yves Maisonnay (European Parliament secretariat) brought into the discussion the parliamentary dimension by presenting the draft report of the Parliamentary Assembly EuroNest Committee on Energy Security on challenges and opportunities for future cooperation on energy efficiency and renewable energy under the Eastern Partnership. In the area of energy efficiency, the draft report recommends to i) giving priority to remove barriers to investments and to gradually implement performance standards in all energy-intensive sectors; ii) to building policies on deep analyses of energy use, market, technologies and economic opportunities; and iii) to further developing programmes and initiatives such as the Covenant of Mayors which can change mentalities.

In the wrap-up and outlook as to energy efficiency cooperation Ms Marion Schiller-Probst (DG Energy) reminded the political (Eastern Partnership Summits) and operational (Work Programme 2014-2017) mandates in which activities are to be embedded in a coherent way. She also called for being attentive to mutually complement bilateral and regional activities under the different implementing instruments which are currently in the preparation phase. The EuroNest draft report as well as the discussions during the meeting revealed many common challenges in the partner countries which could be opportunities for future cooperation in the area of energy efficiency such as the lack of political focus on the energy demand side, insufficient data management and the need to develop sound energy efficiency indicators. Other points of concern were the need to better include in the policy shaping the issue of low income and vulnerable households and to set up new financing models. It was proposed that the platform could develop a pragmatic way of informal cooperation between the formal meetings. Reactions to this

proposal are welcome and can be provided to Ms Schiller-Probst as coordinator of the Eastern Partnership Platform on Energy Security on the EU side.

A new tool which could facilitate activities in some of the before listed areas is the project "Short Term High Quality Studies to support activities under the Eastern Partnership" (HiQSTEP). The team leader, Mr Przemyslaw Musialkowski briefly presented this study facility which lasts from 2014 to 2017 and supports activities under the multilateral framework of the Eastern Partnership by producing short-term high quality studies on specific subjects as defined by the Eastern Partnership Platforms. The team also presented some first ideas for potential studies to be carried out under Platform III which could be further discussed by the Platform participants by e-mail exchanges. The concrete study proposals are available in the power point presentation of Mr Musialkowski at the disposal on the Platforms' web-site:

http://ec.europa.eu/energy/international/eastern_partnership/eastern_en.htm

4. Any other business

Mr Dietmar Preinstorfer (Council of European Energy Regulators) reported on the third Regulatory Workshop which took place in London on 27-28 May 2014. It focused on "Building regional electricity markets" – Regulatory aspects of market integration. The aim was i) to convey basic principles of EU electricity market integration; ii) to discuss electricity markets and the potential for regional cooperation in Eastern partner countries; iii) to look into further integration of 3rd countries into the EU internal electricity market and iv) to give insights and experience of market integration in the Energy Community. A field trip to the BritNed Interconnector located on the Isle of Grain, UK provided practical experience on the operation of cross border infrastructure. In summary, the network is growing and expert-to-expert discussions allow targeted approach and in-depth handling of pressing regulatory topics of interest. The workshops are considered being a useful forum of exchange both between EU and partner countries and among partner countries. In order to facilitate future dialogue, contact persons at each regulatory body may be nominated.

5. Conclusion

The Platform meeting was concluded by a brief intervention from Mr Van Steen in which he underlined the use of the Platform which again successfully brought together the different partners looking into a specific subject from different perspectives. In the area of energy efficiency the partnership proves to be very active. This level of activity now needs also to be replicated to the other work programme activities. The Chair thanked the participants for their active participation and the various speakers and colleagues for their respective contributions. The next meeting of the Eastern Partnership Platform on Energy Security will take place in autumn this year and will already look forward to the next Eastern Partnership Summit to be held in Riga in the 1st semester of 2015.

Almost all participants from the Eastern Partner countries attended the Covenant of Mayors event on 24 June 2014.

Enclosure: Agenda and Participants list