



Memorandum of Understanding on North-South Interconnections in Central-Eastern Europe

Sides:

**the Republic of Austria
the Republic of Bulgaria
the Republic of Croatia
the Czech Republic
the Federal Republic of Germany
the Republic of Hungary
the Republic of Poland
Romania
the Republic of Slovakia
the Republic of Slovenia
and
the European Commission**

Having regard to the Energy 2020 strategy¹ and the February 2011 Conclusions on Energy of the European Council²;

Having regard to the proposed selection process for projects of common interest and the measures aimed at helping the timely implementation of these projects as described in the Energy Infrastructure Package³ of November 2010, in particular the infrastructure priority corridors of North-South electricity and gas interconnections in the Central Eastern and South Eastern European region and oil supply connections in Central Eastern Europe to allow the EU to meet the energy and climate targets;

Having regard to the Declaration of the Visegrad 4+⁴ signed in February 2010 in which the countries of this region agreed to support amongst others the promotion of North-South Interconnections in the field of gas, the Nabucco project and LNG terminals in the region;

Having regard to the objective of this initiative, which is to strengthen regional cooperation in Central-Eastern Europe in the areas of development and integration of energy networks, diversification of routes and sources with a view to enhancing security of supply and promote market development;

Having regard to the Central-Eastern European region is characterised by a very high level of import dependency in the gas and oil sectors and fragmented markets where the gas and oil transmission system serves mainly an East-West direction of flow and are insufficient in the North-South direction;

Having regard to the lack of electricity infrastructure both in West-East and North-South direction that hampers electricity trade in this region;

Having regard to the experience gained from this initiative that provided valuable contribution to the proposed Regulation on guidelines for trans-European energy infrastructure;

Having regard to the agreement of the Member States of the European Union (hereinafter referred to as "Member States") in Central-Eastern Europe, namely Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia to set up a High Level Group on the "North-South Interconnections" in which Croatia has been invited to participate as an observer and to the achievements by this group since its first meeting on February 9th, 2011;

Having regard to the subsequent invitation of Germany to participate in the work of the High Level Group where its participation is currently limited to the electricity sector without prejudice to its possible later involvement and commitment in the other sectors covered by the North-South High Level Group;

Having regard to the subsequent invitation of Austria to participate in the work of the High Level Group where its participation is currently limited to the electricity and oil sectors without prejudice to its possible later involvement in the gas sector.

Having regard to the subsequent invitation of Slovenia to participate in the work of the High Level Group where its participation is currently limited to the electricity and gas sectors;

Having regard that Austria, Germany and Slovenia have participated in the analysis in the respective sectors and envisage implementing the actions related to these sectors.

Recognising:

¹ "Energy 2020 - A strategy for competitive, sustainable and secure energy", COM(2010)639

² European Council, 4 February 2011

³ Commission's Communication on energy infrastructure priorities for 2020 and beyond. COM(2010)677

⁴ Visegrad 4 countries: Poland, Czech Republic, Slovakia and Hungary. Visegrad 4 + also include: Croatia,

- The final report of the High Level Group on North-South Energy Interconnections in Central-Eastern Europe (thereafter the Action Plan) together with its attachments that form integral part thereof;
- The need to further develop and integrate the electricity markets within the Member States in Central Eastern Europe with a view to completing the internal electricity market and integrating generation from renewable sources;
- The need to ensure security of energy supply, stable and predictable transmission and secure and reliable system, especially in the electricity sector;
- The need to further develop and integrate the gas market within the Member States in Central Eastern Europe, to diversify routes, sources and counterparts and enhance security of gas supply;
- The need to enhance regional security of oil supply in Central Eastern Europe;
- The need to assure that appropriate measures are taken to eliminate incompatibilities of existing and future bilateral agreements with 3rd countries with the Treaty on the Functioning of the EU⁵;
- The need to better coordinate priorities and energy infrastructure projects on a regional level in order to allow for better use of resources and achievement of desired goals;

Having regard to the need to create opportunities for regional trade in energy products and services that may satisfy regional demand and regional supply; and in particular to allow investment security to be enhanced by free flow of goods and services;

Recognising that the present document records political intent alone and does not provide for legal commitments with regard to the Sides;

Envisage to devote their best endeavours to work towards achieving the following:

1. ELECTRICITY MARKET

The main common objectives for the Central Eastern European electricity market under the North-South Interconnections initiative are intended to be the following:

- Improve regional market integration and trade, promote integration of renewable energy sources through increased levels of interconnectivity;
- Improve the investment environment through targeting regulatory, permitting and internal market obstacles;
- Improve the stability and predictability of supply and maintain a secure and reliable system;

The Sides envisage implementing the actions related to the electricity market described in chapter II.2 of the Action Plan.

2. GAS MARKET

The main common objectives for the regional gas market under the North-South Interconnections initiative in Central Eastern Europe intend to be the following:

- Improve diversification of sources, routes and counterparts with a view to connecting supply routes between the Baltic, Adriatic and Black Seas, integrate the regional market, improve trade and enhance security of supply;

⁵ Article 351 TFEU

- Improve the investment environment through targeting regulatory, financial, permitting and internal market obstacles;

The Sides envisage implementing the actions related to the gas market described in chapter II.2 of the Action Plan.

3. OIL MARKET

The main common objectives for the Central Eastern European oil supply network under the North-South Interconnections initiative intend to be the following:

- Improve security of supply with a view to establish a Central Eastern European Oil Pipeline Ring by closing the gaps in the existing network;
- Assess the potential of regional cooperation on "soft elements" and coordination in emergency response preparedness with the aim of enhancing regional security of oil supply;

The Sides envisage implementing the actions related to the oil market described in chapter II.2 of the Action Plan.

4. INFRASTRUCTURE DEVELOPMENT AND PROJECTS OF REGIONAL INTEREST

In order to ensure implementation of a fully functioning and competitive internal energy market, the Sides recognise the need for infrastructure development in the electricity, gas and oil sectors in order to achieve the ambitious objectives of market integration, diversification and security of supply and sustainability in Central-Eastern Europe.

The Sides envisage to support the implementation of the projects listed and described in the chapters II.1.1, II.1.2 and II.1.3 of the Action Plan in the fields of electricity interconnections and supporting internal network development, gas interconnections, underground gas storages and Liquefied / Compressed Natural Gas facilities, oil pipelines as well as other infrastructural solutions thereby respecting the Union law and taking into account any relevant Union policies, in particular those relating to competition including the applicable State aid rules, protection of the environment and preservation of biodiversity, public participation, sustainable development, health, and public procurement.

Taking account of the proposed regulation on guidelines for trans-European energy infrastructure and taking into account the work carried out by ENTSOs the Sides envisage to review the proposed list of regional projects in the course of 2012 according to the provisions on the selection of EU projects of common interest, as defined in the regulation. For this review exercise, the geographical scope of the North-South Interconnections priority corridors should fully reflect the definitions of the priorities as identified in this regulation.

5. ORGANISATION OF IMPLEMENTATION AND MONITORING

In terms of organisational aspects of the North-South Interconnections initiative, the Sides envisage to maintain the High Level Group, chaired by the Commission, in its current composition for the first year of implementation or at least until a regional formation of relevant stakeholders is defined or identified with the purpose of monitoring implementation. The High Level Group intends to monitor the implementation of the Action and to take measures pertaining to risk management. The tasks and responsibilities as well as the frequency of reporting are envisaged to be performed in accordance with the proposed methods described in the Action Plan.

6. DEFINITIONS

Unless otherwise stated, technical terms within this document are understood as having the meaning ascribed to it based on EU energy legislation in force.

7. STATUS OF THE MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding does not constitute an agreement that is binding under international law, but reflects political intent only and should apply without prejudice to international and EU legislation, including provisions to protect the environment and human health. The Sides do not intend it to create legal commitments.

Signed in Brussels on November 23rd, 2011 in 11 original copies in the English language.

For Republic of Austria



Harald GÜNTHER

For the Republic of Bulgaria



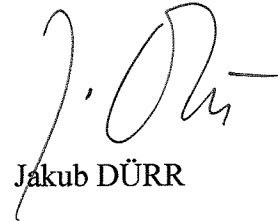
Delian DOBREV

For the Republic of Croatia



Nataša VUJEĆ

For the Czech Republic



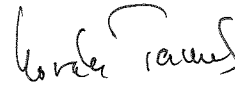
Jakub DŮŘ

**For the Federal Republic of
Germany**



Guido PERUZZO

For the Republic of Hungary



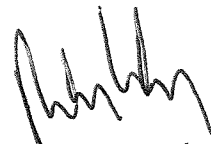
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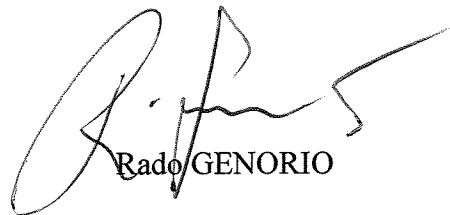
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