

High Level Group on Central and South Eastern Europe Gas Connectivity - CESEC

Terms of Reference

(1) Background

To date the common EU objectives of diversification and market integration in the natural gas sector have only partially or not at all been achieved in Member States and Energy Community Contracting Parties in Central and South-Eastern Europe. Russian gas – arriving via Ukraine – remains dominant without substantial regional import infrastructure for alternatives as intra-regional interconnections are still largely lacking.

Despite continuous efforts to implement harmonised rules under the third energy package, the Regulation on the trans-European energy networks 347/2013/EU and the Regulation 994/2010/EU concerning measures to safeguard security of gas supply and supports to the development of key infrastructure projects, the lack of market integration in Central and South-Eastern Europe continues to have negative impacts on competition, diversification and security of supply.

The progress achieved to date is still too slow and there are still many issues that need to be addressed in order to deliver the expected benefits of market integration in terms of security of supply and competition. These issues could be addressed through better regional cooperation between national stakeholders, improved coordination related to infrastructure development, better alignment of the regulatory and permitting processes for trans-boundary infrastructures and easier access to financing. All this activities should be monitored by High Level Group.

Representatives of Austria, Bulgaria, Croatia, Greece, Hungary, Italy, Romania and Slovenia as well as European Commission Vice-President for Energy Union Maroš Šefčovič met on the 9th of December 2014 to discuss gas infrastructure priorities for Central- and South-Eastern Europe.

During the meeting, all participants repeated their commitment to accelerate the integration of Central- and South-Eastern European gas markets and the diversification of gas supplies through the development of the necessary infrastructures and the implementation of harmonised rules.

To this end, Member States and the Vice-President agreed to set up a High-Level Working Group ("hereafter HLG") consisting of the concerned Member States with the support of the European Commission to coordinate these efforts to facilitate the development and execution of cross-border projects as well as trans-European projects allowing for diversification of gas supplies to the region.

(2) Objective of the *High Level Group on Central and South Eastern Europe Gas Connectivity*

The objectives of the HLG on Central and South Eastern Europe Gas Connectivity are:

- To ensure that interconnector projects already underway in the region but facing implementation difficulties are finalized expediently.
- To identify and jointly commit to a limited number of priority infrastructure projects in Central and South-Eastern Europe beneficial whatever the gas supply scenario that support cost-effective integration of gas markets and diversification of supply. These projects (e.g. new interconnectors, reverse flow capability, gas storage, new supply corridors, creation of a gas hub and LNG import terminals) should deliver diversification and competition benefits already in the short term and supporting any longer term supply scenario considering domestic, Russian, Caspian, East Mediterranean, Black Sea gas or LNG. All the projects developed in this framework should comply with EU internal market rules (third energy package included). The list of Projects of Common Interest, Projects of Energy Community Interest and projects financed under the European Energy Programme for Recovery will be primarily considered when identifying the priority infrastructure projects relevant for the High Level Group. High Level Group will create strong political momentum to the short list of PCI.
- To determine all issues (e.g. regulatory, permitting, coordination, technical and financial) impeding the rapid development and/or completion of these infrastructures and the ones preventing the optimal use of the existing network in Central and South-Eastern Europe (e.g. restrictive/incompatible national measures, capacity allocation procedures, tariffs, interoperability, missing reverse flow capability).
- To prepare an Action Plan identifying specific, measurable, achievable, relevant and time-bound project-specific technical, financial as well as regulatory measures addressing the above-mentioned issues and indicating the implementation responsibility for the necessary measures to the relevant stakeholders. Subsequently, to monitor the implementation of the actions based on reporting obligation to the Steering Group of the High Level Group on Central East South Europe Connectivity.

The implementation of these objectives will be laid down in an action plan or a Memorandum of Understanding setting-out concrete deliverables and interim milestones.

The HLG may also decide to engage in a constructive dialogue with inter alia Russia, Turkey, Georgia, and Azerbaijan.

(3) Organisation of the High Level Group on Central and South Eastern Europe Gas Connectivity

- *Framework*

The HLG on Central and South Eastern Europe Gas Connectivity will be established within the Regional Group on the North-South Interconnection in Central Eastern and South Eastern Europe established under the Regulation on the guidelines for trans-European energy infrastructure (Regulation 347/2013).

- *Participation*

The HLG on Central and South Eastern Europe Gas Connectivity will be chaired by the European Commission and is composed of representatives of the competent Ministries from Austria, Bulgaria, Croatia, Greece, Hungary, Italy, Romania, Slovenia and Slovakia.

Representatives from Ukraine, the Republic of Moldova, Bosnia Herzegovina, Serbia, the Former Yugoslav Republic of Macedonia, or other Contracting Parties of the Energy Community Treaty are also welcome to participate in the works of the HLG upon ad hoc invitations.

Representatives from National Regulatory Authorities, ENTSOG, ACER, the Energy Community Secretariat and project promoters (TSO or non-TSO) as well as International Financial Institutions should also participate to the Group on Central and South Eastern Europe Gas Connectivity.

The Group on Central and South Eastern Europe Gas Connectivity may also decide to invite additional representatives or independent experts to some of the meetings.

- *Structure*

The work of the HLG on Central and South Eastern Europe Gas Connectivity will be articulated around two main bodies:

- A **Steering Group** to provide political guidance and strategic steer and to be responsible for the adoption and the monitoring of the Action Plan. It will also settle issues that cannot be resolved at the technical level. The Steering Group may meet at the political Minister level (composed by the European Commission (Vice President Šefčovič and/or Commissioner Arias Cañete), the relevant Ministers of the

concerned Member States and Energy Community Countries) or at high level senior officials level (composed of Directors Generals or Directors of the European Commission, and of the competent Ministries).

The Steering Group may decide to invite any party referred to above to take part in the meetings.

- The Technical **Sub-Groups** will be responsible for the identification of priority infrastructure projects on their respective territory that will be beneficial, whatever the gas supply scenario, considering the current and prospective list of Projects of Common Interest. The Sub-Groups will also identify issues impeding the development of gas flow corridors and propose relevant measures to address them. Once approved by the Steering Group, they will be responsible for implementation of the measures foreseen in the Action Plan and report on the progress/issues to the Steering Group.

The Regional Sub-Groups are composed by working-level representatives of the European Commission, competent Ministries, project promoters, National Regulatory Authorities and Energy Community Countries. Representatives from ACER, ENTSOG, EnC Secretariat will also be associated.

The Technical Sub-Groups are preliminarily identified along three infrastructure corridors enabling bi-directional gas flows:

- (1) **South-East:** between the Aegean and Ionian Seas and Ukraine
- (2) **Central-East:** between the Black Sea and Central Europe
- (3) **Adriatic:** between the Adriatic Sea and Ukraine

These Regional Sub-Groups will be primarily composed by the HLG Participants of the countries along the corridors.