



13th Meeting of the Eastern Partnership Platform 3 on Energy Security 19 June 2015, Brussels, Belgium

Meeting Report

Summary:

The 13th meeting of the Platform 3 on Energy Security of the Eastern Partnership was held in Brussels on 19 June 2015 back-to-back with a Workshop with International Financing Institutions on 18 June and special events on the Neighbourhood held under the EU Sustainable Energy Week on 17 June 2015.

Emphasis was placed on the outcome of the Eastern Partnership Summit of Riga (21-22 May 2015) and the agreed need to respond to the call for more differentiation and a tailor-made approach while maintaining the regional dimension as well.

The meeting focused on two thematic subjects: market opening and diversification and the promotion of renewable energy, both part of the Platform's Work Programme 2014-2017. In the first session presentations and discussions focused on access regimes to cross-border transmission infrastructure, the important role of predictability and transparency on the use of infrastructure for all stakeholders from generator to consumer and on twinning as a possible cooperation instrument in this specific area. Under the session devoted to renewable energy, participants were informed on the progress of the renewable energy mapping project under INOGATE, hydropower was discussed as an example for going regional in the use of renewable energy sources, Azerbaijan gave an overview of its policy strategy on renewable energy and energy efficiency and the Commission shared EU experience on the grid integration of electricity stemming from renewable energy.

In addition, participants were informed about the Energy Union Framework Strategy and the results of recent reports on the developments of energy policies of Eastern partners and energy cooperation with the EU. Debriefings were given on the last workshop activities under the Platform and an outlook was made towards the future regional programme on energy in the post-INOGATE era. Finally participants were again encouraged to make use of the HiQSTEP, a study facility dedicated specifically to activities under the Eastern Partnership.

All PowerPoint presentations given during the meeting are available on the following web-page:
<https://ec.europa.eu/energy/node/2710>



Detailed overview:

1. Opening session

The meeting was chaired by **Ms Mechthild Wörsdörfer**, Director for Energy Policy and Mr van Steen, Head of Unit for International Relations and Enlargement at DG Energy, European Commission. In her welcoming words, Ms Wörsdörfer referred to the latest developments in energy policy in the EU, notably the Energy Union Framework Strategy¹. She underlined the importance of this strategy's external dimension and the fact that it is fully compatible with the outcome of the recent Eastern Partnership Summit in Riga of 21-22 May 2015 that confirmed energy as an important element in our future cooperation.

Mr Richard Tibbels, Head of Division for the Eastern Partnership, Regional Cooperation and OECD at the European External Action Service detailed the overall political context, including on the Riga Summit outcome. The Summit proved that significant progress was made since the Vilnius Summit, notably the signing and provisional application of the AA/DCFTAs with Georgia, Moldova and Ukraine, the visa free regime for Moldovan citizens and progress in the field of mobility with all partners; sector cooperation - both bilaterally and multilaterally; and engagement with broader society. The Summit therefore reconfirmed the EU's attachment to the Eastern Partnership against the background of a changed geopolitical landscape in the region. There was a broad recognition of the need for a more tailor-made, differentiated approach to bilateral relations, while maintaining the Eastern Partnership as coherent and inclusive. There was a common interest in using the Eastern Partnership to strengthen the resilience of partner countries with the view of bolstering their sovereignty and independence. Mr Tibbels confirmed that interconnections - and notably energy interconnections – were seen as a sector "par excellence" of common interest between the EU and the Eastern partners contributing to resilience. This sector requires important investments, hence attracting financing from IFIs remains key and he therefore welcomed the workshop held the previous day. He recalled that attention should equally focus on renewable energy sources, increasing energy efficiency as a way to curb on demand and promote greener economies.

2. Latest developments in the EU: The Energy Union Framework Strategy

Gaspar Demur, from the International Relations Unit in DG Energy, reported on the Energy Union Framework Strategy which the European Commission presented in February this year and which received strong support from the European Council in March. The Energy Union is one of the priorities of the current Commission and encompasses five key dimensions: i) energy security, solidarity and trust; ii) a fully integrated European energy market; iii) energy efficiency contributing to moderation of demand; iv) decarbonising the economy; and v) research, innovation and competitiveness. In his presentation, Mr Demur focused on the external dimension of the Energy Union, in particular energy security, while underlining that the external dimension is a cross-cutting element throughout all the five dimensions.

Mr Demur defined four strategic elements in order to enhance security of supply: 1) The EU has to diversify supply, energy sources, suppliers and routes, notably via the development of the Southern Gas Corridor; liquid hubs in the Mediterranean and Central Eastern Europe; new infrastructures and a fully-fledged LNG strategy; 2) The EU and its Member States need to work together on security of supply. The stress test exercise which was carried out last year under the European Energy Security

¹ http://ec.europa.eu/priorities/energy-union/index_en.htm

Strategy² showed the need to strengthen solidarity among EU Member States. In this context, the Commission is currently working on a proposal for a revision of the Regulation on security of gas supply for which a close coordination with the Energy Community will be ensured. 3) The EU should develop a stronger role in global energy markets. This involves notably developing strategic energy partnerships with important producing and transit countries or regions such as Algeria, Turkey, Azerbaijan, Turkmenistan, the Middle East, Africa and others. It also means developing further our partnerships with reliable energy partners such as Norway, the United States and Canada. 4) Finally, the EU should increase transparency on gas supply, this involves notably exploring ways regarding how the Commission could be informed about the negotiation of energy related Intergovernmental Agreements between Member States and third countries, from an early stage.

3. Recent reporting on energy policies of Eastern partners and cooperation with the EU

As energy is and will remain an important sector for close cooperation between the EU and its Eastern neighbours, it is necessary to evaluate existing cooperation instruments and assess their effectiveness and impact in order to justify and improve financial support.

Last year, the European Commission engaged an external team to conduct a "Global assessment of the EU support provided in the field of energy in Eastern Partnership countries and Central Asia (2007-2013)". This assessment provides an external and neutral view on the actions of the EU. **Ms Helene Ryding**, the team leader of the project presented the main outcomes of the assessment and recommendations for future work. The latter includes the suggestion of a regrouping of the partnering countries in order to better respond to their different needs and interests. Resources may be used more effectively with smaller and more coherent groups of countries. Also, the policy dialogue should become more active and visibility and communication should be increased and improved at all levels. It is necessary that cooperation is based on the needs and interest of the partners.

The International Energy Agency has very recently issued a Compendium on energy policy reviews in Eastern Europe, Caucasus and Central Asia. It is the first regional review conducted by the IEA beyond IEA countries and presents the results of two IEA-led peer review cycles conducted with INOGATE partner countries' government designees and the INOGATE Technical Secretariat during 2013 and 2014 under the INOGATE Programme. The peer reviews involved meetings with government authorities and key public and private energy stakeholders in each country. This report focuses on key policies related to energy security, market design, sustainable development and investment climate, corresponding to the four pillars of the INOGATE framework.

Ms Thea Khitarishvili, the team leader of this exercise presented an overall summary of the policies covered in the reviews of the Eastern partner countries and highlighted the common elements of the region. She underlined the fact that the influence of a shared history can be seen in their energy systems up to today. The current trends for the region include the following: there are significant energy resources and there is potential for promoting sustainable energy; market designs are varying which makes regional energy trading difficult although countries are making progress in order to improve strategic policies and related regulations. However, many challenges in the implementation of legislation remain. The recommendations focused on continuation of work on data based strategies, emergency preparedness, the demand side, outdated infrastructure, the potential of sustainable energy and improving market conditions also with the view of attracting investments.

² Stress test exercise and results were presented at the 12th Platform meeting in October 2014. See the meeting report [here](#).

The **Questions and Answer session** of this first part of the meeting concentrated on the external dimension of the Energy Union (LNG strategy, potential role of Iran in the future, Southern Gas Corridor, revision of the gas supply regulation), the grouping suggestions as presented in the global assessment of EU support to the partner countries and the potential for sustainable energy in the region of the Eastern partners. Georgia took the opportunity to reconfirm its willingness and preparedness to participate in the activities related to expansion of the Southern Gas Corridor.

4. Thematic sessions

4.1 Market opening and diversification

Jan Papsch from the unit dealing with "Wholesale Markets, Electricity and Gas" in DG Energy informed on the EU's access regimes to new and existing cross-border transmission infrastructures. He underlined that third party access to energy infrastructure is one of the key principles of EU legislation. The main purpose is to avoid inefficient and market dominating monopolies. Rules are closely linked to the EU competition law which under certain circumstances obliges to give non-discriminatory access to third parties to essential facilities. One means of achieving this objective is the unbundling of energy generation and transmission in order to ensure independence of the different parts in the chain. This is controlled by the energy regulators. Another means are cost-efficient tariff regulations. Technical rules on the use of cross-border energy networks, known as network codes, regulate who can use cross-border infrastructure and under what conditions. The EU is in the process of preparing and implementing binding network codes in the sectors of electricity and gas which will facilitate further market opening and market integration.³

When speaking about market opening and diversification, it is essential for potential investors and suppliers but also for the consumers that there is predictability and transparency for the use of energy infrastructure.

Athanasios Troupakis, Market advisor at the European Network of Transmission System Operators for Electricity (ENTSO-E) presented the perspective of the TSOs on how to improve predictability and transparency on the use of energy infrastructure. He focused on the Ten-Year Network Development Plan (TYNDP), a key tool to achieve energy policy goals, and the objective and works of the Transparency Platform created by ENTSO-E. The TYNDP frames and monitors the implementation of EU projects of common interest (PCI – for instance, within the EU there are up to 50,000 km of electricity lines to be built by 2030 in order to double the interconnection capacity by 2030) as well as the grid development in order to integrate energy generated by renewable energy sources. The creation of the transparency platform is linked to the European Regulation on Transparency from 2013 which makes publications on load, transmission, generation, outage and balancing compulsory. Since the platform went live on 5 January 2015, a threefold increment of data could be observed. The website based platform is an important interactive working tool for all interested stakeholders and it receives more than 80,000 data files per day. This increased transparency is expected to enhance competition in electricity markets, to reinforce the benefits of Network Codes and to enable more effective market monitoring.

³ A [presentation on EU network codes](#) was given at the last EaP energy regulators workshop in Chisinau on 26-27 March 2015.

One potential instrument for cooperation with partner countries on the above issues may be the twinning instrument. **Paolo Gozzi**, from the unit dealing with "Institution building, TAIEX, Twinning" at DG Neighbourhood and Enlargement Negotiations, explained briefly the history and concept of twinning. It focuses on providing hands-on assistance from practitioners in the public entities on legislative and linked structural reform. It is very much experience based and can therefore effectively help avoiding errors which were made in the past by others. Twinning is fully financed by the European Commission via grants to EU Member States. Activities are set out in a joint work plan.⁴

A positive twinning experience was presented by **Sergo Latsabidze** from the Georgian National Energy and Water Supply Regulatory Commission (GNERC). This twinning project between Georgia and Austria focused on strengthening Georgian capacities in updating incentive based electricity tariff methodology also in view of Georgia's candidacy for the Energy Community. Both sides were very satisfied with the project which ended in June 2014. Results include putting in place a tariff setting methodology for electricity distribution, pass-through and consumption according to the best international practice. This allowed the GNERC to approve tariffs for the largest distribution company owning more than 75% of the distribution network. It is expected that the project will boost investments and increase the financial sustainability of the energy sector with beneficial impact on investors and consumers alike.

Comments and questions in the **discussion round** touched mainly upon the unbundling rules in the EU and its added value so far on market development, increased competition at the level of consumers as a consequence of the implementation of the EU third energy package and the close link between energy efficiency and energy prices, the development of tariffs in Georgia as a result of the twinning project and Ukraine's interest in cooperating in all the above aspects with the EU and European TSOs.

4.2 Promoting renewable energy

Renewable energy sources (RES) do not only contribute to the sustainability of our environment and climate, they can also contribute significantly to energy security by decreasing dependency on imported fossil fuels. To develop and promote renewable energy use, it is necessary that potentials are identified and that integration of electricity generated by renewable energy into the grid is made possible.

The INOGATE project "Geospatial mapping for sustainable energy investments" focuses exactly on this task. **Mark Allington** from ICF International and INOGATE expert presented the current status and progress of this project and gave an online presentation of a prototype mapping tool. The interactive mapping tool can provide necessary information to the policy maker, investor, supplier and other interested stakeholders. The project foresees to determine the value at stake from RES, identifies areas where construction is not feasible or not allowed and ranks the source by its relative economic viability. However, Mr Allington underlined that the tool is not a substitute for proper feasibility studies. Currently, the mapping project for Georgia on wind and solar is being completed and the one for Moldova is in the development stage. The official handover from INOGATE to Georgia will take place on 13 July 2015. From that moment onwards it will be in full ownership of

⁴ More information on twinning can be found [here](#).

Georgia for hosting, marketing, use, update and maintenance. Armenia and Azerbaijan have shown concrete interest in the project.

The challenge is to move on from the identification of the potential RES to the development of projects, including regional projects. Hydropower is an example of an important energy source for some of the Eastern partners and may therefore become even more beneficial at regional level. **Mikheil Tavberidze**, Head of the Operational Planning and Contract Registration Service, Georgian State Electrosystem JSC, presented the hydropower sector in Georgia and its potential of developing regional projects. In his presentation, Mr Tavberidze stressed that currently only 10-15% of Georgia's hydropower potential is being used. In order to develop the regional market, the following elements are conceived as main steps: an increase in internal generation capacity, an increase of network transfer capacity and the implementation of a modern power trade structure including in cross border power trade. The latter would entail a deepened cooperation between the different TSOs and improvement and gradual harmonization of taxation and the regulatory framework including custom legislation. Direct benefits to the participating countries could be the increase of electricity reliability, access to European markets, membership of ENTSO-E and growth of investments.

Electricity generated from RES needs to find its way into the electricity grid. In the EU this is one of the priorities of the Energy Union Strategy under the "renewables chapter" and the implementation of the internal energy market. **Oyvind Vessia**, working in DG Energy in the unit dealing with renewables and Carbon Capture and Storage, shared the EU challenges and opportunities. These can be summarized under two main aspects which need to be balanced, making the market fit for RES and integrating variable RES into the market. The ultimate objective is to guarantee sustainable price and system adequacy in all situations. In order to achieve this goal an enabling and cost-efficient environment for renewables needs to be created. The following interlinked elements need to be considered in this process: synergies with other sectors, a market based approach and a stable investment framework which leads to low-cost financing. In the EU, it is considered that a regional approach can optimise this process.

Finally, **Samir Rahimov**, Head of Department of Investments and strategic development of the State Agency on Alternative and Renewable Energy Sources of Azerbaijan (AREA) presented recent developments in renewable energy and energy efficiency policy and strategy in Azerbaijan. Mr Rahimov gave an overview on the governments' strategy on renewable energy and its medium term goals up to 2020, the related action plans and the available instruments for implementation. Azerbaijan is working on several different projects in solar, wind and biogas power, energy efficiency and agro-energy complexes.

Comments and questions in the **discussion round** concentrated on the RES mapping, notably the data gathering and its added value for the different stakeholders, the challenges of integration of RES into the grid in comparison to electricity generated by other sources, the role of hydropower which could become an important regional source among Eastern partners, the need to invest in regional reserves in different RES to mitigate gaps in variable RES and to work on storage technologies. All Eastern partners shared information on their national targets for RES in electricity generation. In Azerbaijan a Presidential Decree sets a share of 20% renewables in the energy mix by 2020. Thanks to its hydropower Armenia is already at 30% and could achieve >50% by 2020. Ukraine's target foresees 11% by 2020 and 20% by 2025-2030. Belarus works on the basis of 5-year plans and holds a current share of 26% in RES heating which should increase to 28% by 2016. From 2016 onwards Belarus will transit to a new calculation methodology. The energy strategy of Moldova aims at a target of 20% by 2020. As to Georgia, almost all electricity generation stems from hydropower which in ideal conditions in the summer months can reach up to 100%.

5. Work in progress – Next steps

Participants were debriefed on recent workshops⁵:

- 4th Eastern Partnership Workshop of Energy Regulatory Bodies, Chisinau 26-27 March 2015:
Dietmar Preinstorfer, Head of the international relations' department of E-Control Austria informed on behalf of the Council of European Energy Regulators (CEER) on this workshop which this year aimed at sharing the principles of various tariff models and the impact of cost-reflective energy prices on the behaviour of different market participants (grid operators, investors, customers) in the EU and the Eastern Partner countries. The workshop was complemented by a field trip to the reverse flow pipeline between Moldova and Romania (Ungheni-Iași pipeline), located in Ungheni at the Moldovan-Romanian border which started its work on 4 March 2015.
- Ad-hoc workshop with International Financing Institutions on "Enhancing infrastructure and interconnectivity investments", Brussels, 18 June 2015:
Marion Schiller-Probst from the unit dealing with International relations & Enlargement in DG Energy informed on the workshop which had the objective to look into the challenges and opportunities on further enhancing infrastructure and interconnectivity among the Eastern partners and between the Eastern partners and the EU with the help of IFIs. The perspective of the Eastern partners and the IFIs were presented as well as EU Neighbourhood Investment Facility (NIF) as an appropriate cooperation instrument in order to mobilise additional funding to cover the investment needs including in the energy sector. Discussions revealed that progress is made in setting the legal framework right and in creating incentives for investment. But many partners would still benefit from receiving support notably in the implementation of secondary legislation. Stability and predictability through long term strategies are very important in enhancing investment incentives, especially for major infrastructure projects. Coordination among IFIs also came out as an important aspect.

As to the future regional cooperation beyond 2016, **Mathieu Bousquet** from the Unit "Regional Programmes Neighbourhood East" in DG Neighbourhood and Enlargement Negotiations gave an insight on the ongoing work on designing future cooperation at regional level. This needs to adapt in an appropriate way to the recent political developments in the region and the varying interests of the individual partners while accommodating the priorities of the European Commission which focuses on connectivity, energy efficiency and bringing partner countries' energy-related rules more in line with EU rules. A follow-up of the current INOGATE programme, which expires in April 2016, takes into account, where appropriate, recommendations made in the global assessment of EU energy cooperation in the region and the compendium of energy policy reviews in the region conducted by the IEA. Both were presented during the present meeting. The programme is still being shaped but will include policy discussions at regional level and policy recommendations for partner countries, support to statistics and policy-making, development of an energy web portal and support to implementation of some of the policy recommendations. Consultation with partner countries is essential in this process and a first opportunity to discuss this issue was the Tbilisi meeting with INOGATE coordinators in April 2015. The next one will be the INOGATE country coordinators' meeting in Kiev on 28 September 2015. Partner countries are invited to contact their INOGATE coordinator or directly the Commission, reacting to the proposals which were made and expressing their views regarding the possible content of the future programme.

⁵ More information and all PowerPoint Presentations of the two Workshops is available [here](#).

Finally, **Przemysław Musiałkowski**, team leader of the High Quality Studies for the Eastern Partnership (HiQSTEP) recalled the purpose and added value of this study facility which was created to support the Eastern Partnership specific activities. He underlined its regional character, meaning that a potential topic should be of interest to at least two countries. Two proposals are currently being analysed and follow-up with countries will be made by electronic means. All additional proposals from partner countries are welcome.

6. Conclusion

Mr van Steen expressed his view that this Platform meeting was useful in reflecting on how to continue regional cooperation after the Eastern Partnership Summit in Riga of May 2015. Riga has shown that there is political will for continuous engagement. But it also showed that the political world changes constantly and this requires adapting to these developments. The ongoing process of reviewing the European Neighbourhood Policy should be seen in this light and all participants are encouraged to take part in the public consultation process which is still accessible until 30 June.

The Platform meeting focused on two activities of the Work Programme that had not yet been covered: market opening and diversification and promoting renewable energy; two elements that are of key importance when improving energy security and reducing energy dependence.

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 late autumn. Mr van Steen encouraged partner countries to share feedback and ideas for future cooperation and topics for the platform meeting or other events.

Meanwhile the European Commission will coordinate the follow-up via the informal Platform 3 Networking Group on the following issues:

- i. The proposal to organise a technical seminar on oil and gas technologies for exploration and production with focus on innovative technologies. This is a leftover from the Platform meeting in October 2014;
- ii. Proposals for a study under the study facility;
- iii. Potential interest on twinning projects on the side of the partner countries;
- iv. Potential topics of common interest for platform meetings or other events (for instance, on heating and cooling).

Enclosure: Agenda, participants list