

Meeting of the Central and South-Eastern European Connectivity (CESEC) High Level Group at Senior Officials level on 25 March 2020¹

Conclusions

The High Level Group

As regards gas:

1. With regard to the CESEC priority gas infrastructure projects:
 - a) Welcomes the good progress towards the completion of all gas priority infrastructure projects and the project promoters' plans to implement them during the coming year;
 - b) Looks forward notably to the start of operations of the **Trans-Adriatic Pipeline (TAP)** by the end of 2020, of the phase I of the **Bulgaria-Romania-Hungary-Austria (BRUA)** pipeline corridor in October 2020 meant to enhance the interconnectivity and flexibility of the regional gas infrastructures, and of the LNG terminal on the island of **Krk** by January 2021; and encourages the continuation of work on the implementation of all projects along the BRUA corridor.
 - c) Welcomes progress in the implementation of the **interconnector Greece – Bulgaria (IGB)** and invites the project promoter to step up efforts in project implementation, noting that the expected completion date of Q2 2021 is later than the commissioning of TAP. The High Level Group further calls upon responsible transmission system operators to conclude the interconnection agreements in due time for the envisaged project schedule.
 - d) Welcomes progress on the **Bulgaria-Serbia Interconnector (IBS)**, in particular on the Serbian section; and invites relevant involved parties to step up efforts on the Bulgarian section in order to enable project completion by 2022 at the latest in accordance with the timetable agreed by the two countries at the EU-Western Balkans Summit on 17 May 2018. However, the High Level Group takes note of the high risk of delay considering that the financial resources have not yet been

¹ Due to the Covid-19 exceptional situation, the CESEC High Level Group meeting planned on 27 April 2020 in Split had to be postponed. The CESEC conclusions were agreed at Senior Officials' level on 25 March 2020.

provided from European Investment Bank (EIB) and hopes for a speedy EIB approval of the loan.

- e) Welcomes progress on the **rehabilitation of** certain pipeline sections on the internal **Bulgarian gas network** and expects the project to enable the full utilization of existing and future gas interconnectors also in view of improving competition and the functioning of the gas market in Bulgaria and the region.
 - f) Welcomes progress in the implementation of the other CESEC infrastructure projects, which will also contribute to regional market integration.
 - g) Underlines that all infrastructure projects should be implemented in compliance with EU legislation and taking into account the interests of all CESEC members.
2. Endorses the updates to the **CESEC Gas Action Plan** on country-specific regulatory actions and underlines the need to speed up the implementation of all action points not yet finalised with a view to improving the functioning of CESEC gas markets.
 3. Welcomes the first implementation steps of the project enabling physical **reverse flow on the Trans-Balkan pipeline T1** up to 5 billion cubic meters per year, in accordance with the agreed Concept Paper and the Memorandum of Understanding signed in September 2016 by the transmission system operators of Greece, Bulgaria, Romania, Ukraine and Moldova.
 4. Notes that further improvements would be possible, in particular by:
 - a) Completing investments enabling full access to and from national markets and networks to T1;
 - b) Improving the competitiveness of transmission tariffs in line with the network code on harmonised transmission tariff structures for gas, taking into account that the project relies on existing infrastructure with only relatively little additional investment needed;
 - c) Exploring contacts with the gas transmission system operator of Turkey to enable the signature of interconnection agreements with Bulgaria and Greece with a view to enable commercial flows in both directions.
 - d) Enabling physical reverse flow on the remaining Trans-Balkan pipelines T2/T3;
 5. Invites affected transmission system operators to sign as soon as possible an updated memorandum of understanding on the trans-Balkans reverse flow.

6. Calls upon the regulatory authorities to ensure that capacity on interconnection points between the transmission system operators of EU Member States and Energy Community Contracting Parties, as well as within the Energy Community, is allocated in line with the network code on capacity allocation mechanism. Welcomes that several regulatory authorities declared in 2017 to treat interconnection points between Member States and Energy Community Contracting Parties equally to interconnection points between Member States and invites remaining regulatory authorities to do the same as soon as possible.
7. Acknowledging the potential of the Black Sea resources in terms of enhancing the regional energy security, highlights the efforts put into creating the necessary links between the gas networks of the CESEC members and the offshore gas resources; and reiterates in this respect the necessity to eliminate remaining barriers, such as differences in gas quality, and underlines the importance of safeguarding a stable and predictable regulatory and legal framework for investors and the need to avoid measures that distort the functioning of the internal gas market.
8. Takes note of experience – also presented at the CESEC gas plenary and working group meeting – on cross-border gas market mergers across Europe. Encourages willing CESEC members to identify and explore options for such mergers in the region, in line with the ACER gas target model. Invites the Commission to facilitate such initiatives.
9. Building on the discussion at the ministerial meeting regarding the technologies for the decarbonisation of the gas sector, the CESEC High Level Group encourages further reflections and analysis on the regional potential for the production of renewable and decarbonised gases and asks transmission system and storage operators to carry out an analysis on the readiness of existing gas infrastructure to accommodate such gases as well as sector integration.

As regards electricity:

10. Endorses the updated Electricity Action Plan on both priority infrastructure and market coupling projects and invites the involved parties to implement all action points as a matter of priority.
11. Welcomes progress in the implementation of the agreed CESEC **electricity infrastructure priority projects**, which will allow for the creation of a larger and better interconnected regional electricity market and support the integration of a growing share of renewable electricity into the grid. Stresses in this regard the need for speedy project implementation in compliance with the agreed schedules.

12. Stresses the need to take all measures to enable the timely enhancement of the transmission capacity along the **East-West corridor in South-East Europe** from Italy to Romania via the Balkans and in particular:
 - a) Encourages a speedy implementation of the **Mid Continental East Corridor** project, in particular its Romanian sections, and already in the short term urges the affected transmission system operators to find a temporary solution allowing for at least the partial use of the completed power line sections in Serbia and Romania to enable the mitigation of the bottleneck.
 - b) Welcomes the start of trading on the undersea **HVDC link between Italy and Montenegro**, linking to the Trans-Balkan electricity corridor, and encourages progress towards full market coupling.
13. Takes note of progress towards **market coupling** among CESEC members and in particular:
 - a) Encourages swift implementation according to the agreed schedule for the day ahead market coupling projects between Italy and Greece, Bulgaria and Greece and Romania and Bulgaria.
 - b) Urges the responsible parties to accelerate work on the market coupling projects identified in the Electricity Action Plan between EU Member States and Energy Community Contracting Parties in the Western Balkans region.
 - c) Encourages continued work with the Energy Community on the adaptation and implementation of the regulation to enable the single day-ahead market coupling agreement by the relevant parties in accordance with the applicable European legislation.
14. Underlines the importance of setting up and/or improving the functioning of power exchanges in the region, tackling regulatory barriers that hinder market coupling.
15. Welcomes the agreement among the transmission system operators of Greece, Romania and Bulgaria to set up a Regional Security Coordinator office in Thessaloniki and urges them to ensure that they deliver according to the planned timetable.
16. Underlines the importance of reciprocity and a level playing field with regard to market access and infrastructure, and in particular stresses the importance of safety standards and environmental protection as well as the need to avoid carbon leakage.

As regards renewables and coal regions in transition:

17. Welcomes the study by the International Renewable Energy Agency (IRENA) showing possible ways for cost-competitive renewable energy across all sectors in CESEC members up to 35% of energy consumption by 2030 and encourages further studies to identify in more detail infrastructure, regulatory and market needs to facilitate renewables integration in the region, while taking into account country-level specificities, including sustainability criteria, safety of the system, GDP scaled investment costs and protected areas.
18. Stresses the added value of an increased deployment of renewable energy for a cost-effective, low-carbon, integrated, safe, sustainable, environmentally sound and secure energy system, job creation and the reduction of air pollution.
19. Welcomes IRENA's willingness to organise an investors' roundtable in the CESEC region to gather policy-makers, partner institutions, multilateral development banks, international financial institutions, the private sector and project developers, among others, to promote the creation of enabling frameworks and stimulate investment flows through matchmaking projects with financiers.
20. Underlines the importance of stable and efficient framework conditions, the removal of regulatory and technical barriers, while maintaining a stable and secure energy system, the exchange of best practices, and measures aiming to reduce the cost of capital, including with the help of public financing bodies such as the European Investment Bank.
21. In view of supporting the transition away from coal in the region:
 - a) Welcomes the opportunities provided by the initiative for Platform for Coal Regions in Transition and the Just Transition Mechanism to support EU member countries and coal regions tackling the challenges deriving from the transition to a climate neutral economy and encourages building synergies and invites for further high-level discussions within the CESEC framework;
 - b) Underlines the importance of a common vision on the role that the decarbonisation of coal regions has towards a successful regional energy transition, by exploiting the full potential and opportunities for sustainable development of those regions.
 - c) Welcomes the joint initiative of the European Commission, the World Bank, the European Bank for Reconstruction and Development, the Energy Community Secretariat and the College of Europe in Natolin to export the experience of the EU initiative for coal regions in transition to the Western Balkans and Ukraine.

22. Welcomes the introduction of an Emissions Trading Scheme by Montenegro and requests the Energy Community Secretariat to consider ways to support all Contracting Parties to introduce a carbon pricing mechanism.
23. Underlines the opportunity for regional cooperation, financing and support for the energy transition, including for cross-border renewables projects under the new Connecting Europe Facility and – whenever relevant – opportunities offered by other instruments, including the Innovation Fund and the Modernisation Fund.

As regards energy efficiency:

24. Underlines the potential for energy efficiency improvements in the CESEC region, especially in buildings and heating infrastructures.
25. Welcomes the intention of the Commission to organise, together with the CESEC members and relevant regional actors, the first CESEC Energy Efficiency Forum in autumn 2020 to discuss, among other things, best practices and innovative financial instruments to trigger additional private financing for energy efficiency.
26. Stresses the need to progress in the implementation of the energy efficiency legislation by CESEC members.

As regards National Energy and Climate Plans (NECPs):

27. Recalls the importance of regional cooperation in CESEC to develop and implement National Energy and Climate Plans and Long Term Strategies, in line with the requirements of the Regulation on the Governance of the Energy Union and Climate Action, and stresses the potential for market integration and cost-efficient policies and measures.
28. Underlines the importance of the collaboration with the Energy Community Contracting Parties in this exercise also in view of the application of the relevant European Union regulatory framework throughout the Energy Community.