

ENERGY STRATEGY AND PROJECTS OF ENERGY COMMUNITY INTEREST

Energy Community Secretariat

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I. ENERGY STRATEGY

- THE PROCESS
- ENERGY DEMAND SCENARIOS AND INVESTMENT NEEDS

II. REGIONAL INFRASTRUCTURE DEVELOPMENT

- CRITERIA FOR IDENTIFICATION OF PROJECTS OF ENERGY COMMUNITY INTEREST (PECI)
- EVALUATION PROCESS

ENERGY COMMUNITY STRATEGY (1)



- ❖ **The Energy Strategy:** developed by a **Task Force** with a large representation basis, benefitting from the technical assistance sponsored by USAID.
- ❖ Two phases:
 - **Phase 1:** A **Strategy paper**, endorsed by the MC in October 2012
 - **Phase 2:** Identification of **Projects of Energy Community Interest** (PECIs), and associated policy measures to promote these, October 2012 – October 2013
- ❖ The strategy paper has set **three important objectives:**
 - **Objective 1:** Creating a Competitive Integrated Regional Energy Market
 - **Objective 2:** Attracting investments in the energy sector
 - **Objective 3:** Providing secure and sustainable energy supply to customers

.... and a large number of actions to support these,

CURRENT ENERGY SITUATION AND NATIONAL TRENDS

BRIEF OVERVIEW OF THE ENERGY SECTORS IN THE WESTERN BALKANS/ENERGY COMMUNITY, COMMON FEATURES:

- Small and fragmented markets, with the exception of Ukraine
- Dependent on domestic fossil fuel (coal/lignite) or imported gas and oil
- Single source of gas imports
- High potential for renewable energy, especially hydro, biomass, wind, solar
- High potential for energy efficiency
- Power generation based on technologies from 60' and 70' – exceeding their life span, high reliability and environmental concerns
- Urgent need for major retrofit, and new power plants

ENERGY DEMAND SCENARIOS AND INVESTMENT COSTS

The Task Force decided that a **scenario analysis** should be used, as a way to understand the regional energy outlook and potential value of a regional energy strategy.

Three scenarios were selected:

1. '**Current trends**' – if current trends in development of the energy sector continue, what are the implications?
2. '**Minimal investment cost**' – what are the minimal costs required to ensure that there is adequate supply of electricity to meet demand? this will be meeting the energy efficiency and RE energy targets only partially, and will not meet the Large Combustion Plants Directive
3. '**Low Emissions Development/Sustainability**' - if more aggressive promotion of EE and RE was pursued, what might be the implications?; under this scenario all targets will be met as well as the requirements of the Large Combustion Plants Directive

A FEW HIGHLIGHTS:

- The scenario analysis demonstrates the potential for severe electricity shortages if current trends continue unabated.
- It also demonstrated a very large investment gap, with CP reported plans already at approx. **27.9 billion** Euros through 2020 (Western Balkans) and **44.6 billion** for the Energy Community – it is even higher when considering the view point of other regional energy experts or when the analysis extends to include plant in the 2021 to 2030 timeframe.
- The scenarios indicate the potentially large investment needs of required for the region to meet supply adequacy. Between 2012-2020, an estimated **14.7 billion Euros only for WBs or 39.1 Billion Euros for the entire Energy Community** of investments are needed under the scenario that focuses on minimum supply adequacy.
- It is evident that there are projects of regional significance that can benefit from a coherent EnC energy strategy.
- An EnC strategy supported by a framework for project support should help mobilize financing.

PHASE 2: IDENTIFICATION OF PROJECTS OF ENERGY COMMUNITY INTEREST - PECI (1)



- ✓ **Projects of regional importance** that would benefit from additional interventions such as:
 - *Policy and regulatory instruments*
 - *Technical assistance*
 - *Financing mechanisms*
- ✓ PECI label in the Energy Community is **similar to PCI label** in the EU.
- ✓ PECIs are **NOT intended to replace or override each CP's own strategy or project development priorities**, but it is focused on projects of regional significance that would **benefit from additional support**.
- ✓ The PECI list will be **updated after 2-3 years**.

CATEGORIES ELIGIBLE FOR PECEI "LABEL"

I. POWER GENERATION:

- ✓ **NEW GENERATION CAPACITIES**
- ✓ **MODERNIZATION, RETROFITTING OF EXISTING POWER PLANTS, ALLOWING FOR MORE EFFICIENT AND ENVIRONMENTALLY SAFE PRODUCTION**

II. ELECTRICITY TRANSMISSION

III. GAS TRANSMISSION:

- ✓ **GAS TRANSMISSION PIPELINES (BI-DIRECTIONAL CAPACITY)**
- ✓ **UNDERGROUND STORAGE FACILITIES**
- ✓ **LNG AND CNG TERMINALS**

IV. OIL

- ✓ **REFINERY IMPROVEMENTS FOR FACILITATING IMPROVED FUEL QUALITY**
- ✓ **STORAGE FACILITIES TO CONTRIBUTE TO THE SECURITY STOCKHOLDING OBLIGATIONS**
- ✓ **PIPELINES USED TO TRANSPORT CRUDE OIL**

OVERVIEW OF PROJECTS SUBMITTED

A total of **100 project proposals** was submitted by Project Promoters from 9 CPs plus one company (TAP).

Contracting Party/Project Promoter	Electricity Transmission	Electricity Generation	Gas	Oil
Albania	1	1	2	0
B&H	3	15	4	0
Croatia	4	2	4	1
Kosovo*	6	4	0	0
fyr of Macedonia	2	3	0	0
Moldova	2	0	1	0
Montenegro	3	3	0	0
Serbia	6	13	9	2
Ukraine	2	2	2	1
TAP Company	0	0	1	0
TOTAL	30	43	23	4

LOCATION OF THE PROPOSED ELECTRICITY INFRASTRUCTURE PROJECTS



- In total 24 electricity infrastructure (transmission) projects have been assessed
- 23 electricity infrastructure projects are considered eligible, of which
 - 15 electricity infrastructure projects interconnect 2 or 3 countries
 - 8 electricity infrastructure projects do not cross borders

LOCATION OF THE PROPOSED GAS INFRASTRUCTURE PROJECTS



In total 23 gas infrastructure projects have been assessed

22 gas infrastructure projects are considered eligible, of which

- 16 gas pipeline projects
- 3 underground gas storage
- 3 LNG terminals

PECIS SELECTION CRITERIA (1)



CRITERIA CATEGORIES:

1. CONTRIBUTION TO REGIONAL MARKET INTEGRATION, AND ENHANCED COMPETITION

- Enhancement of cross-border capacity (in both directions)
- New links between markets
- Reduction of market concentration and facilitating access for new market entrants

2. SECURITY OF SUPPLY

- Diversification of supply sources, supplying counterparts and routes (mainly for gas)
- Lowest cost of available resources, while taking into account all externalities (mainly for generation projects)

3. CONTRIBUTION TO SUSTAINABLE ENERGY DEVELOPMENT

- Development of renewable energy sources
- Replacing old and low efficient technologies
- Meeting national carbon targets and reducing GHG emissions
- Improving efficiency in primary energy transformation and in energy use

PECIS SELECTION CRITERIA (2)



4. CONTRIBUTION TO ECONOMIC DEVELOPMENT

- Economic, social and environmental viability
- Socio-economic benefit

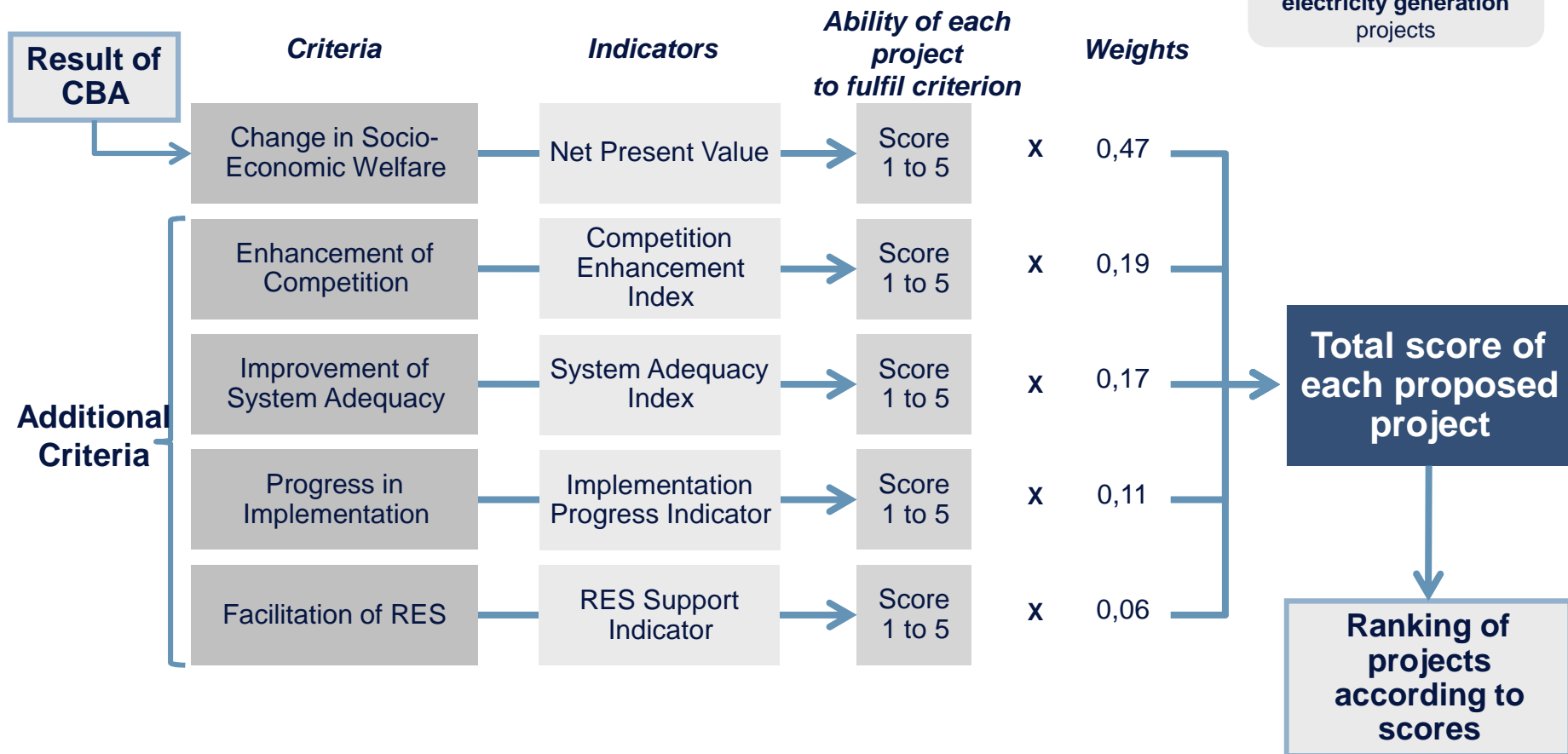
5. MATURITY OF THE PROJECT

- Progress in realisation (feasibility study, EIA, FID, permits and licenses)
- Support from governments / local communities
- Experience **of project promoter.**

APPLIED PROJECT ASSESSMENT METHODOLOGY

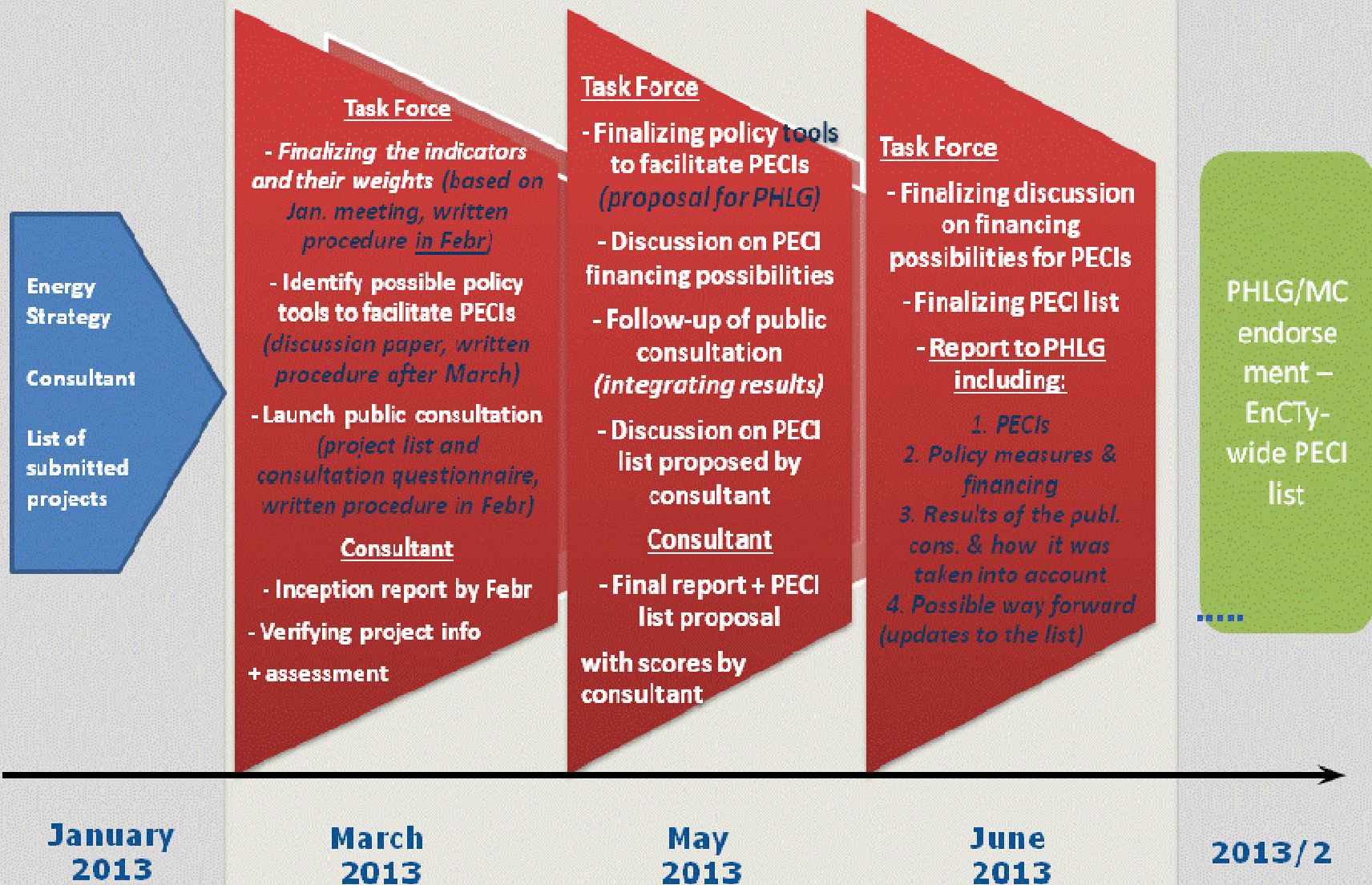
3 Multi-Criteria Assessment

Weights and criteria shown here applicable to electricity generation projects



Deliverables, timetable, meeting schedule

PECI identification process in EnCTy - work 2013



POLICY/REGULATORY TOOLS TO FACILITATE PECIS

HARMONIZED PERMIT GRANTING REGIME FOR PECIS

- Most preferential treatment in Contracting Parties
- Streamlining EIA procedures
- Competent Authority with powers to manage permit granting process
- Time limit for the permit granting decision
- Increased transparency and public participation

ENERGY SYSTEM WIDE COST BENEFIT ANALYSIS

CROSS-BORDER ACTIONS AND BENEFITS

- Cross-border cost-allocation
- NRA joint decision on investments and cost-allocation
- ECRB arbitration/decision if no agreement

LONG-TERM INVESTMENT INCENTIVES

- Obligation on NRAs to grant appropriate risk-related incentives
- ECRB guidance on best practice methodology

Thank you for your attention!

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