IPA

in the

Energy Sector

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EU Enlargement

CEPS – Regional Energy Policy Initiatives
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Context and Connectivity

- Future of South East Europe, aka the Western Balkans, is within the European Union
  - EU perspective consistently reiterated by the European Council, Berlin Process
- DG ELARG supports investments in connectivity = energy and transport
  - Important driver for economic growth and jobs
- Connectivity = doing business becoming more profitable than creating instability

Energy Policy in South East Europe

- Energy Community Treaty
  - Guiding the energy policy in SEE
  - Signatories: EU and the countries of SEE
- Energy Community
  - Extends the EU internal energy (electricity and gas) market to South East Europe and beyond
  - Overall framework to guide the necessary reforms and promote investments
  - Makes a significant contribution to security of supply in the wider Europe
- Energy Community Treaty Secretariat (in Vienna)
  - Supports the countries in transposition and implementation of the energy acquis obligations
  - Working groups and task forces to facilitate their efforts
  - Budget financed 94,94% by EU = IPA

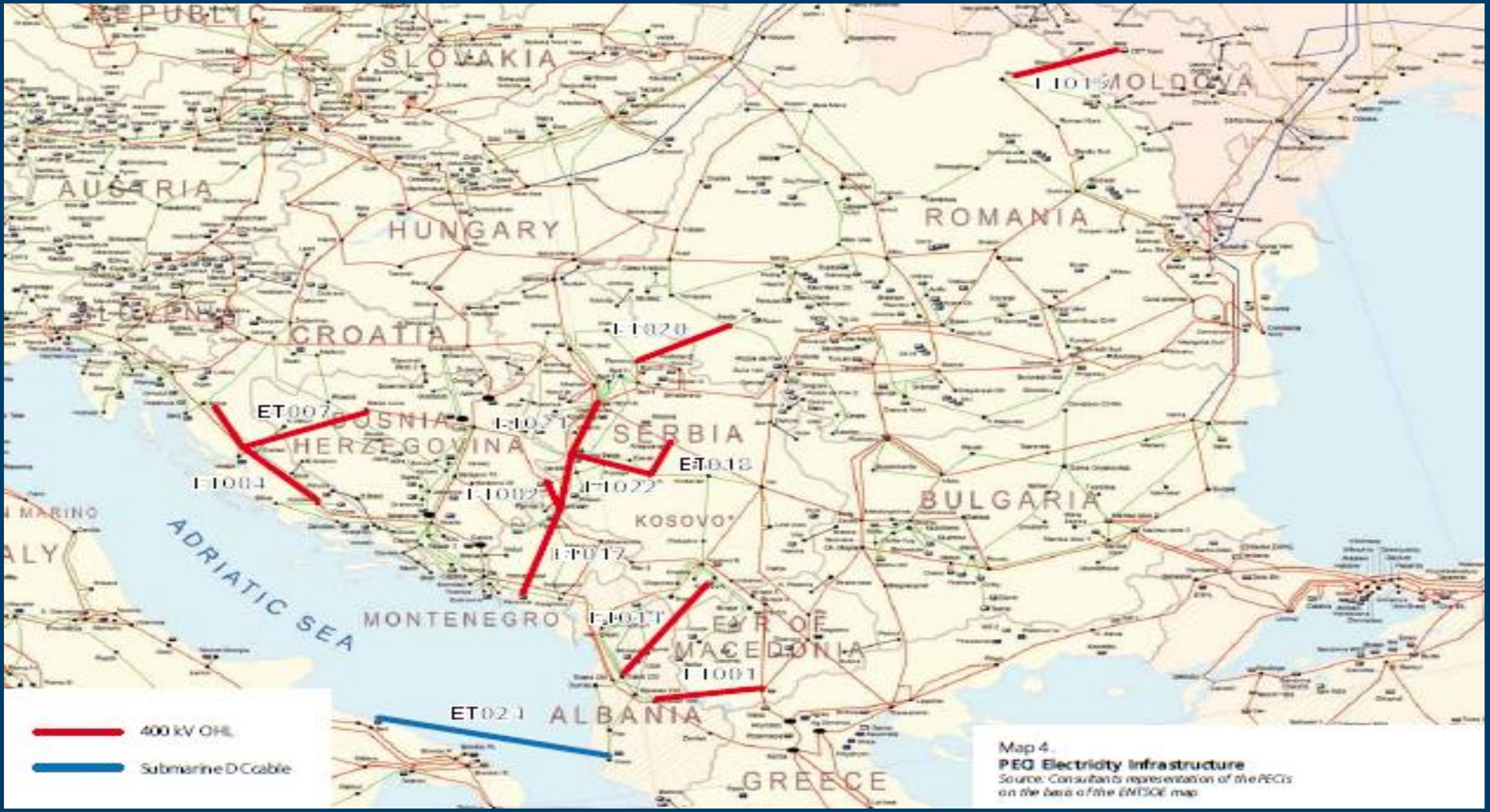
Infrastructure and RE+EE Investments

- 6 national IPA envelopes, 1 multi-country (regional) IPA envelope
- Big Projects = electricity transmission lines, pipelines, gas master plans
  - via WBIF (Western Balkans Investment Framework)
- Small Projects = smaller-scale RE and EE, but with a regional approach
  - via facilities / financial instruments: EEFF, GGF, REEP

Projects of Energy Community Interest (PECIs)

- Priority energy infrastructure investments: electricity transmission lines, pipelines, gas master plans, etc.
- Endorsed by all SEE6 beneficiary countries
- Not reinventing the wheel: PECIs mirroring similar PCI (Projects of Common Interest) list of the EU

PECI – Electricity Infrastructure

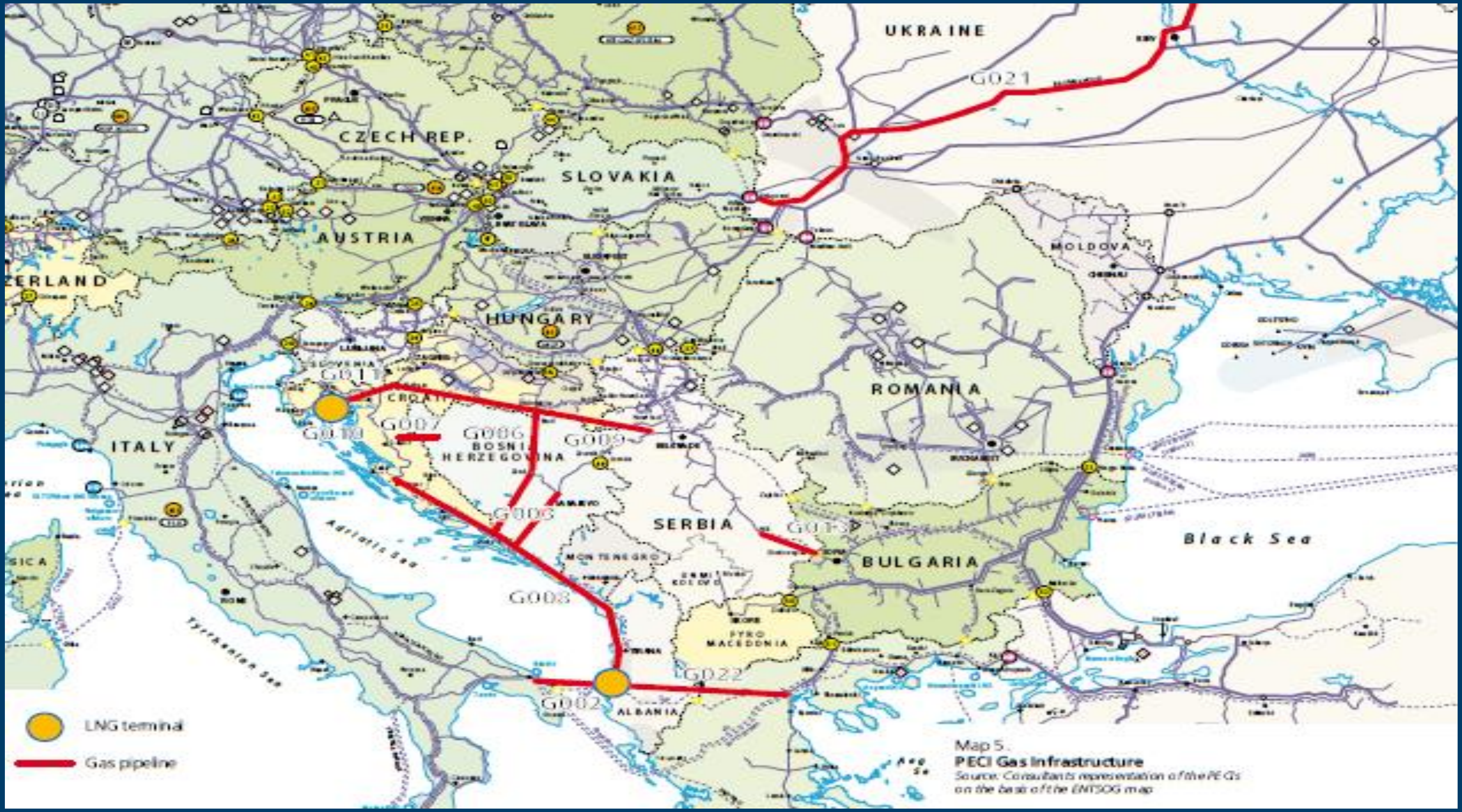


EU Enlargement

PECI – Electricity Infrastructure - Status

PECI Electricity Infrastructure						Conceptual / Basic Design	Pre-feasibility study	Feasibility study	E-I Assessment	Main design	Investment Decision	Construction
No.	**Contracting Party**	**Project**	**Estimated investment (mil. €)**	**Transmi. capacity**	**Commissi-oning year**							
1	**AL - FYR of MK**	**400 kV OHL SS Bitola (FYR of MK) – SS Elbasan (AL)**	21,5 (AL) 37,3 (MK)	1330 MW Thermal Limit	2018		n/a	🟢	🟢		🟡	
2	HR - BIH and HR internal line reinforcement	400 kV OHL Banja Luka (BiH) – Lika (HR) 400 kV OHL Brinje – Lika – Velebit – Konjsko including 400 kv substation Brinje	187	1260 / 1320 MW	2020			🟡	🟡			
3	IT - AL	400 kV HVDC SS Vlora - Bari West	150	1000 MW	2014	🔴	🔴	🔴	🔴	🔴	🔴	🔴
4	Kosovo* - AL	400 kV OHL Tirana (AL) - Pristina (Kosovo*)	33,5 (KO) 51,4 (AL(	1330 MW	2016		n/a	🟢	🟢		🟢	🟢
5	MD - RO	400 kV OHL Balti (MD) and Suceava (RO)	66.5	1000 MW	2019		n/a	🟢	🟢	🟡		
6	ME - RS - BiH and ME internal line reinforcement	400 kV OHL SS Bajina Basta (RS) - SS Pljevlja (ME) - SS Visegrad (BiH) 400 kV OHL Pljevlja - Lastva	183.3	2000 MW / 1320 MW	2020 2016		🟡					
7	RS	400 kV OHL SS Kragujevac - SS Kraljevo	25	1000 MW	2016		🟢	🟢		🟡	🟢	
8	RS	400 kV OHL SS Bajina Basta - SS Kraljevo 400 kV OHL SS Obrenovac - SS Bajina Basta	90	1000 MW / 2000 MW	>2020 2019		🟢	🟢			🟢	
9	RS - RO	400 kV OHL SS Resita (RO) - SS Pancevo (RS)	25 (RO) 25 (RS)	2000 MW / 1320 MW	2015 RO 2018 RS		🟢	🟢	🟢	🟡	🟢	
		TOTAL:	**895.50**									

PECI – Gas Infrastructure



EU Enlargement

PECI – Gas Infrastructure - Status

PECI Gas Infrastructure													
No.	**Contracting Party**	**Project**	**Estimated investment (mil. €)**	**Capacity**	**Commissi-oning year**	Conceptual / Basic Design	Pre-feasibility study	Feasibility study	E-I Assessment	Main design	Investment Decision	Construction
1	AL-ME-HR-BiH	Ionian Adriatic Pipeline (IAP)	620	up to 5 bcm/a	2020	🟡	n/a	🟢	🟢			
2	GR-AL-IT	Trans Adriatic Pipeline (TAP)	1500 (subject to revisions due to route refinements)	Initial capacity 10 bcm/a; Expansion up to 20 bcm/a	2019	🟢	🟢	🟢	🟢		🟢	
3	AL	EAGLE LNG Terminal	700 (terminal +pipeline)	4-8 bcm/a (LNG floating vessel), 215,000 cm (LNG stoage capacity) + 10 bcm/a (pipeline)	2017		🟢	🟢	🟢			
4	BiH - HR	Interconnection Pipeline BiH - HR (Slobodnica-Bosanski Brod-Zenica)	94	up to 5 bcm/a	2019	🔴	🔴	🔴	🔴	🔴	🔴	🔴
5	BiH - HR	Interconnection Pipeline BiH - HR (Zagvozd - Posušje - Novi Travnik with a main branch to Mostar)	16 HR 82 BiH	1.5 - 2.5 bcm/a	2018 HR n/a BiH		🟢	🟢	🟡			
6	BiH - HR	Interconnection Pipeline BiH - HR (Lička Jesenica-Trzac-Bosanska Krupa)	49.2	1 - 1.5 mcm/a	2023				🟡			
7	HR	LNG Terminal in Croatia + Pipeline Zlobin-Bosiljevo-Sisak-Kozarac-Slobodnica	633,6 terminal 306 pipeline	6 bcm/a (storage capac.) + 10 bcm/a (pipeline)	2018 terminal 2019 pipeline		n/a	🟢	🟢			
8	HR - RS	Interconnection Pipeline HR - RS (Slobodnica-Sotin-Bačko Novo Selo)	87 RS 88 HR	6 - 7 bcm/a	2023				🟢			
9	RS	Interconnection Pipeline RS (Nis-Dimitrovgrad) to BG (in SR)	67.5	1.8 bcm/a	n/a		n/a	🟢	🟢		🟡	
	BG	Interconnection Pipeline RS (Nis-Dimitrovgrad) to BG (in BG)	47.4	1.8 bcm/a	2016-2017		n/a	🟢	🟢		🟢	
10	UA	Modernization of Urengoy-Pomary-Uzhgorod Pipeline	256	29.2 bcm/a	2015		n/a	🟢			🟡	
		TOTAL:	**4,546.70**									

Mirroring EU 2020 Agenda: RE and EE Targets in the Region

- Adaptations to EU 2020 = lower percentages, phase-in periods
- Energy efficiency:
  - savings of 9% of final energy consumption, by 2018
- Renewable energy:
  - to be achieved by 2020
  - Albania 38 %, Bosnia and Herzegovina 40 %, Croatia 20 %, Former Yugoslav Republic of Macedonia 28 %, Montenegro 33 %, Serbia 27 %, Kosovo* 25 %
- The region will also mirror the EU 2030/2035 targets:
  - Watchdog: Energy Community
  - Source of financing for EE and RE: IPA + IFIs, via 3 regional facilities / financial instruments: EEFF, GGF, REEP

Programming of IPA II

→Sectoral approach

- Component structure replaced by comprehensive country strategies
- Move towards a logic of (co)financing policy strategies instead of individual projects

→Single pipeline

- Rolling investment plans for each sectors linking to regional strategies (TEN-E Energy)
- Coherence of assistance and IFI/donor coordination

→Increased role of Western Balkans Investment Framework (WBIF)

- Main vehicle to reinforce cooperation on regional investments
- More resources to be channelled through WBIF in 2014-2020

IPA II (2014-2020): Figures

- Total IPA budget ~€12 billion
  - 40 % TR, 40 % six NATL, 20 % REG
  - NATL: six countries/envelopes, ~4.8 B total
  - REG: ~2 B total, ~800 M for investments
- PECIs Total: Western Balkans only: 10.1 B
  - Electricity Generation: 8 B
  - Electricity Infrastructure: 758 M
  - Gas Infrastructure: 1.3 B
- Estimated total in energy sector: € 30-40 B

Mirroring "soft infrastructure" in regional energy trading

1. Forward capacity allocation – using the infrastructure for transmission
   - SEE CAO, Podgorica
   - First auction in Nov 2014 between HR, BIH, MNE. Others also members, but still bilaterally.
   - Issues: VAT, politics
2. Day ahead market / capacity allocation – energy
   - Does not exist yet
   - SEEPEX (SEE Power Exchange) possibly in Serbia, which is most engaged
   - Need regional stock exchange for energy trading
3. Intra day market
   - Trading within a day also under SEEPEX
4. Balancing
   - TSOs to manage the system to have balance: cost (payment to power plant) needs to be transferred to the balance responsible parties
   - Imbalance settlement price?
   - Control blocks: SLO, HR, BIH + SRB, MNE, MKD. ALB not in any, KOS depends on SRB-KOS-ALB politics.
5. Other: price liberalization, implementation of 3rd energy package