Regional Energy Policy Initiatives to achieve EU energy policy objectives: Focus on South East Europe

Energy Governance in the Energy Union

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The implementation of Regional Energy Policy Initiatives is among European Commission's priorities in achieving EU energy and climate goals and establishing an Energy Union. The European Commission Communication on the 2030 climate and energy framework underlines the need for an enhanced coherence of national energy polices and national energy plans. The European Energy Security Strategy published in May 2014 also calls for mechanisms that allow member states to "to inform each other of important decisions related to their energy mix prior to their adoption" essentially envisioning collaboration on a European level in national energy plans setting. Finally, the importance of a "regional approach" has been reiterated by the 26/27 June 2024 European Council Conclusions where they mention "further implementing and integrating the European energy market based on a regional approach".

Several projects and studies have focused on establishing the costs and benefits of regional energy policies cooperation. A study by Ecofys, TE and PwC for the European Commission on the benefits of a meshed offshore grid in the Northern Seas Region has estimated that annual savings of 1.5 to 5.1 billion EUR can be realised through coordinated offshore grid development. This means that the endeavour is profitable under all scenarios, and therefore theoretically should be able to secure investment, currently valued at between 4.9 to 10.3 billion EUR (Cole et. al. 2014). Another report by E3G and Imperial College estimates that "moving to a regional, strategic approach to grid planning with full resource sharing could save €25 - €75 billion in the period to 2040, compared to the current incremental member-state approach" (Skillings & Gaventha 2014).

The CEPS paper (De Jong and Egenhofer, 2014) presents a conceptual approach of four different modes of models of co-operation. They include a hierarchy:

1. simple information sharing,
2. joint information and knowledge creation in selected areas,
3. common policies in selected areas and,
4. joint instruments.

These different modes can be seen implemented alone or in parallel in existing initiatives and regional energy arrangements such as the Danube Energy Forum, the Mediterranean Energy Forum, the Pentalateral Energy Forum, the North Seas Countries' Offshore Grid Initiative and the Nordic Co-operation partnership. They typically include both top-down and bottom-up elements.

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The Pentalateral Energy Forum – essentially bottom-up – is of particular interest because it links to the German Energiewende, therefore trying to find answers to make different energy transition models compatible with each other in the European context.

Possible achievements of regional cooperation initiatives

All of the above listed represent forms of regional approaches to EU energy policy that facilitate member states cooperation with a final goal of closing the gap between national energy policy realities and EU objectives: the internal electricity and gas markets and the upcoming Energy Union priorities, including notably the climate change priorities.

It is clear and acknowledged that regional energy policy cooperation risks establishing models of interaction not fully synchronised with EU energy objectives. This can – at least theoretically – be addressed by a guiding EU framework on design elements of regional cooperation structures.

Effective regional approaches to energy policies cooperation can be built on several bottom-up models that could serve as templates. They can be then adjusted and applied in EU regions and their respective situations. One of these regions is South East Europe. Like national solutions, models such as the Pentalateral Forum or MEDREG would not be a perfect fit for the challenges faced in South East Europe. However, they could offer practical solutions real and existing energy challenges on a regional scale and in line with EU energy objectives.

Towards an agenda for South East Europe

To date in South East Europe, there are some, although limited and somewhat patchy regional initiatives such as bilateral agreements for electricity trade or trade of Kyoto Protocol Assigned Amount Units (AAUs). It is hoped that more regional energy policy integration could ease the integration of South East Europe in the EU internal energy market and therefore be beneficial both for the region and the EU as a whole. Principal opportunities in South East European energy policy cooperation are for uplifting investments in key energy infrastructure in the region as well as the deployment of renewables.

Geographical description

One step towards fostering regional integration could be the development of an overarching political platform or a framework for cooperation that could lead to well-informed and collectively discussed energy policy objectives of the region, which in turn would generate a degree of policy stability and decrease of investment risks.

A precondition for this to happen is a geographical description of South East Europe[1] as is the case for the Pentalateral Forum. One could think even of several descriptions depending on the fuel, for example whether renewables or natural gas. The geographical description could be different depending for example, on perceived costs and benefits, networks, industry sector, political preferences, type of energy (electricity or gas) or distributional effects.

Universal descriptions will focus information sharing, thereby avoiding that limited resources are stretched between several similar projects with none of them achieving the desired impact. An example could be the catalogues of projects compiled by the EU and the Energy Community respectively: Projects of Common Interest and Projects of Energy Community Interests.

Finding the right model and degree for regional cooperation in South East Europe, depends largely on a continuous dialogue between all stakeholders in the region: EU member states,

[1] EU initiatives focus on member states, the Energy Community excludes Turkey, whereas the definition of continental South East Europe used by ENTSO-E includes Italy and Hungary, but excludes Austria.

the Western Balkans, Energy Community members and observers, the EU, representatives of business in the region, as well as relevant organisations and institutions. This dialogue has been led by different actors on different levels. Initiatives such as the Central European Electricity Exchange, SEE CAO (South East Europe regional exchange for transfer capacity) and the Balkan Power Exchange (EPEX SPOT) are a testimony to this. However, the lack of a coherent and overarching cooperation platform and a universal geographical description prevents the region from addressing energy security concerns and pursuing energy policy objectives. Thus, the lack of uniformity and coordination allows divisive political and corporate interests in the region to slow the progress of energy markets integration.

An EU framework

A political framework or platform dedicated to energy policy cooperation in the region similar to the Pentalateral Forum or MEDREG, would allow South East European states to concert their energy policies and thus shape the region's energy market, infrastructure and renewables' deployment strategy. Energy infrastructure projects, both in gas and electricity, are still underdeveloped. It is important to underline that the region has high electricity generation and export potential. Developing this potential largely rests on viewing the region not just as a Southern Gas Corridor, but as a transfer route, generator and exporter of electricity.

Developing electricity infrastructure is closely related to South East Europe's renewables deployment potential. Southern East Europe requires a regional scheme to incentivise renewables deployment in order to use its potential to the fullest. A negative trend observed in member states in South East Europe, is the lack of motivation to continue renewables deployment despite high potential and low costs for the majority of technologies (Ortner et. al. 2014). Thus, despite achieving their national targets for 2020, they are not considering pursuing their full potential.

Finally, regional cooperation will be facilitated by the speed with which these countries move towards more efficient markets for example by decreasing state interference, effective and efficient regulation, the development of genuine competition or the phase out of subsidies not justified under the EU Treaty.

Questions:

- Is regional energy policy co-operation a way forward for South East Europe?
- What regional energy policy cooperation mode and model will best be suited to allow South East Europe advance EU energy policy objectives?
- What are the elements to make a model happen?
- What role for infrastructure, what role for renewables?
- What are the key elements of a regional cooperation model for South East Europe?

References

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