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Different approaches to achieve a regional energy market: SEE and MEDREG experiences

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- 1. Existing co-operation among NRAs: SEE experience**
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How to build up an integrated market?

- To build reliable interconnections
- To co-ordinate management of cross border connections
- Harmonisation of legal and regulatory frameworks
- **Regional regulatory co-operation is fundamental**

1. SEE Experience (1)

How did it all start :

- This process was launched and driven by the political will of the parties. EC brought forward proposals for the creation of a regional electricity market in SEE in March 2002 with the aim of eventually creating a regional electricity market.
- Under the aegis of European Union and the support of Donors, the “Athens process” was launched and two Athens MoUs (2002, 2003) were signed. The MoUs set the framework for political collaboration of SEE countries along the lines of the EU *Acquis*
- The Athens Process evolved from the 1st Athens Forum that took place in Athens in 2001 and the 7th that took place in Belgrade on 24-25 November 2005.
- Finally, the Regulators Working Group (CEER SEEER WG) and the TSOs Working Group (SETSO TF) were established

1. SEE Experience (2)

The ECSEE Treaty:

- Following the two Athens MoU (2002 and 2003), a legally binding Treaty for the establishment of the Energy Community in South East Europe (ECSEE Treaty) was signed between EU and the SEE countries on 25th October 2005.
- Contracting Parties are (until today..) the European Community and all Balkan Countries (except Turkey). Ukraine and Norway have expressed their interest to sign the ECSEE Treaty.
- The Treaty has entered into force within 2006 once the European Community and six contracting parties have ratified it.
- Its main provisions are: transpositions of the *acquis communautaire* on energy, environment and competition to the SEE region

1. SEE Experience (3)

The ECSEE Treaty – Institutional Building:

- **Ministerial Council (MC):**
 - **It is a Decision making body: It issues policy guidelines, can delegate specific tasks to the PHLG, ECRB and Secretariat**
- **Permanent High Level Group (PHLG):**
 - **Supports the work of Ministerial Council**
 - **Takes Measures when empowered by the MC**
 - **Acts on Procedural Issues**

1. SEE Experience (4)

The ECSEE Treaty – Institutional Building (cont):

- Regulatory Board (ECRB):
 - **Advises the MC and the PHLG on the details of statutory, technical and regulatory rules;**
 - **Takes Measures, if so empowered by the MC;**
 - **Issues recommendations on cross-border disputes;**
 - **Acts on Procedural Issues**
- Secretariat:
 - Responsible for overall administrative support, monitoring implementation and report;
 - Coordinates Donors' activities with the EC
- Fora (one for electricity -Athens, one for Gas)

1. SEE Experience (5)

Benefit and Objective of the Regional SEE market

- Optimize energy market and infrastructure developments over a broad integrated market context
- Attract Investment in Generation and Transmission by providing a stable regulatory environment in a broader single energy market.
- First step to build an integrated regional energy market ready to join the Internal Energy Market of the EU
- Enhance Security of Supply, deliver energy service with improved quality and reliability, preserve economic competitiveness and affordability for consumers, comply with environmental strategy of the EU
- Enhance infrastructure and market-based links between Western Consumers and Eastern Resources and set up of a SEE Energy Hub

1. SEE Experience (6)

There were/are difficulties and challenges :

- **Small scale energy markets**
- **Political instability**
- **Different pace in the development of member countries:**
 - **Low income customers**
 - **Low (subsidized) energy prices**
 - **Low quality of the energy infrastructure**
 - **Inhomogeneous economic and legal framework**
 - **Important differences between Eastern and Western Balkan countries**

1. SEE Experience (7)

CONCLUSIONS

- **The SEE process has progressed in a truly successful manner bringing mutual benefits to EU and SEE**
- **This process highlights important challenges of growing external energy dependence of the EU and SEE on neighbouring countries**
- **It also underlines the need to address infrastructure issues on a regional level, to diversify sources of energy and to broaden the basis for energy trade in Europe, Asia and Africa.**
- **Sharing the benefits of the Community's Internal Market can be achieved by extending its stability to the countries that surround it.**

2. MEDREG Experience (1)

The possible regional approach to the
Mediterranean Basin

Part of the neighbourhood policy in the energy sector.

**Objective : promotion of Mediterranean energy market in
order to facilitate the EU-Med integration.**



2. MEDREG Experience (2)

Energy cooperation is a strategic priority

The establishment of a Euro-Mediterranean energy market plays a central role in achieving the objectives of the Barcelona Declaration and overall economic and social development in the region.

The constructive debate of the “Energy Regulators Community in Mediterranean Basin”(MEDREG), progresses in a satisfactory manner and provide an efficient framework for cooperation and a consistent platform for dialogue on the energy issues of common interest.

2. MEDREG Experience (3)

Background 1995: Decision to create a EU-Mediterranean energy market by 2010. (Barcelona Declaration).

May 2003: series of priority actions for the period 2003-2006 set down by the EU-Mediterranean Energy Forum.

December 2003: 1) Rome Declarations signed by the EU and energy ministers; 2) Mashreq natural gas market; 3) Rome EU-Mediterranean Energy Platform (REMEP); 4) Israeli-Palestinian renewables co-operation.

2006: MEDREG the permanent WG of the Regulators from Mediterranean countries has been created

2. MEDREG Experience (4)

The most important objectives were the followings:

- * Integration of the EU-Mediterranean electricity and gas markets**
- * Development of new energy interconnections**
- * Promotion of renewable energy sources and of more efficient demand management**
- * Harmonization of rules and standards**

2. MEDREG Experience (5)

The Mediterranean Basin: 23 countries, 470+ million people

Average 1997-2006 GDP Growth: 5.1% in non EU countries, 3.3% EU countries

Population growth : 0.2% in EU countries, 1.5% others

Europe is a net energy importer

Other Mediterranean countries have more energy than their needs

2. MEDREG Experience (6)

Modern regulation and infrastructure

Energy complementarities between North and South of Mediterranean.

Important results already achieved by business interests (notably existing and planned gas pipelines, LNG chain, electricity interconnections).

Agreed goal: completion of electricity and gas Mediterranean rings and Med-cross interconnections, to increase competition and security of supply.

2. MEDREG Experience (7)

ROLE OF REGULATORS

Independent regulators already established in all EU, South East Europe, and most other Mediterranean countries

Roles and powers are different but always respected and influential institutions

Interested in EU experiences, exchanges already undertaken (Twinning, technical assistance, study visits, joint workshops, staff training)

International co-operation of regulators has proven useful in the EU (CEER, ERGEG, Florence School) and started at global level (IERN)

2. MEDREG Experience (8)

MEDREG'S goals

Information exchange, common analysis and comparison of existing energy legislation and regulation

Shared specialised training, technical assistance, exchange of know-how in collaboration with the FSR

Development of common positions on the regulatory issues, including criteria for those issues related to cross border electricity and gas trade

Promotion of Euro-Mediterranean regional electricity and natural gas markets towards their respective integration, taking into consideration and building upon the projects already under development

Promotion of harmonized, transparent and non discriminatory market rules

Promotion of a stable relationship of the MEDREG with CEER

2. MEDREG Experience (9)

MEDREG WORK PLAN: Ad Hoc Group were established

1) Institutional issues

- Comparative analysis of Regulators
- Potential and Proposals for experience exchange, training, institutional building and strengthening

2) Electricity

3) Natural Gas

- explore the current regulatory status of the electricity/gas sector and the opportunities and difficulties of further market integration from a legal, technical and economic perspective
- Issues of new interconnection and cross border exchange in terms of infrastructures development, defining common regulatory provisions that may be needed for their construction and management
- outline common steps including guidelines for regulation aimed at facilitating the development of new facilities

4) Environment and Renewable

- Kyoto related partnership development

2. MEDREG Experience (10)

LONG TERM VISION

- 1. Energy Treaty for a Euro-Mediterranean Energy Community**
- 2. Facilitation of financing for energy projects in the Mediterranean region**
- 3. Partnership for energy collaboration and projects**
- 4. National energy policies/regulation harmonization and possible market integration**

2. MEDREG Experience (11)

Participants:

the Regulatory Authorities of Algeria, Bosnia and Herzegovina, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Tunisia, Turkey;

the Regulatory Authorities of Cyprus, France, Greece, Italy, Portugal, Slovenia, Spain, Members of the Council of European Energy Regulators (CEER);

representatives of the European Commission and of the Rome Euro-Mediterranean Energy Platform' s Secretariat (REMEP)

2. MEDREG Experience (12)

*** General Assembly** (composed by Heads of Regulatory Authorities, or of responsible Ministries for Countries where an independent Regulatory Authority has not yet been established, or by their delegates)

***President and Vice Presidents**

***Ad Hoc Groups**

***Task Forces**

***Secretariat** (based in Rome and benefit as much as possible of the operational and logistic support provided by REMEP and AEEG)