



CEEP
Central Europe Energy Partners

REPORT

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PROF. JERZY BUZEK, IN AN EXCLUSIVE INTERVIEW WITH MAREK ORZECZOWSKI FOR THE CEEP REPORT



Jerzy Buzek

Marek Orzechowski (MO) - Mr. Buzek, let me begin by congratulating you on your 'MEP of the Year' award for energy.

Jerzy Buzek (JB) - Thank you very much. It is a great honour and a source of satisfaction, especially since the award came just five days after my report on the Internal Energy Market was adopted by the Industry, Research and Energy Committee of the European Parliament. To me, both these events are an important expression of support and approval for the way I have been trying to contribute to the increase of energy stability in Europe.

(MO) - Those who nominated you for the award praised your personal involvement and described you as a 'battle horse for energy independence'.

(JB) - Although I certainly do not feel like a 'bat-

tle horse' of any kind, energy has indeed kept a special place amongst my political priorities for many years, dating back to the times when I served as Poland's Prime Minister. In 2010, as President of the European Parliament, together with Jacques Delors, I initiated the European Energy Community, with the Internal Energy Market being one of its pillars. In the previous legislature, I was the EP's rapporteur on the Strategic Energy Technologies Plan, as well as on the 7th Framework Programme, which was also dedicated to energy technologies. Since 2004, I have been Vice-President of the European Energy Forum. Naturally, I intend to continue giving EU energy as much personal energy as I can in the years to come.

(MO) - In the vote that you mentioned, your report on the Internal Energy Market re-

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I intend to continue giving EU energy as much personal energy as I can

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ceived an overwhelming majority. Did you expect such a positive result?

(JB) - In the months leading to the adoption of the report, I held numerous meetings with Heads of States, Ministers, leaders of EU institutions, and energy stakeholders. They may have differed in their points of view on the details of the EU's energy policy, but their opinion on the 'broader picture' was uniform: we need an Internal Energy Market, and we need it now. To my great satisfaction, the ITRE Committee vote proved that this belief was shared across the political spectrum of the European Parliament. I hope the plenary vote will confirm this positive signal and strong message addressed at Member States and the European Commission. It is a big step forward, towards strengthened energy security, to a more diversified energy supply, to the full possibility of using all indigenous energy resources, as well as to affordable electricity and gas for Europeans.

(MO) - **You stress the importance of connecting the energy systems, in your report, but trans-border interconnectors and all other necessary infrastructure, will be a very costly**

investment. Can we afford such expenses during a painful crisis?

(JB) - I can hardly imagine more appropriate timing for such investments! The Internal Energy Market is a key element of the EU's energy strategy. Even more importantly, it is a precondition for EU competitiveness, and thus for growth, for the creation of new jobs, and for an increase in the welfare of EU citizens. Along with innovation, it constitutes one of the two exit strategies from today's crisis. We cannot consider the great European project, initiated over 60 years ago with energy at its core, to be fully accomplished, unless we complete the Internal Energy Market and assure that no Member State remains isolated from the EU's networks.

(MO) - **Speaking of which, one of the countries most affected by energy isolation is Lithuania. Taking over the running of the Council of the EU, it is offering us the rare sight of energy being a top Presidency priority.**

(JB) - This commitment to energy was already visible during the Irish presidency and I am very glad to see a continuation of this. It is, at the same time, a continuation of Lithuania's

consistent efforts to secure the 'Baltic dimension', an important role in the debate on the future shape of the EU's energy policy. Adopting energy as a priority is logically aligned with the fact that Lithuania is an energy island. If I may briefly return to my report: although I made sure to keep the scope of the report EU-wide, I felt that one exception should be made for the Baltic states. A separate paragraph is dedicated to them in the report, because they constitute the only entire region that is detached from the rest of the EU system. They offer the strongest reason for a much more integrated energy market.

(MO) - **What are your expectations, related to energy, as one of the priorities of the Lithuanian Presidency?**

(JB) - During my meetings with leaders of EU Member States and with energy stakeholders, I have had several occasions to speak about these issues with Prime Minister, Algirdas Butkevicius, and members of his cabinet, including Energy Minister, Jaroslav Neverovič, with whom I have been in fruitful working contact in recent years. Also, CEEP's Vilnius Energy Summit '29 + 1' in May, served as an

other platform for discussion, as well as a most adequate introduction to the Presidency. Seeing Lithuania's determination, I am confident it will firmly grasp all the tasks that have been clearly set out. First of all, Member States committed in 2011, and again just several weeks ago, to creating a single market in energy by the end of 2014, and to eliminating energy islands by 2015. Essential laws urgently need to be implemented, but no new legislation is required - it has all been written down. Thirdly, infrastructure investments need to be carried out. As with all other Presidencies, I will keep my fingers crossed, because the success of the host country is a success of us all. At the same time, looking forward to the 'Lithuanian half' of 2013, I will be happy to offer my support and involvement. ☺

Prof. Jerzy Buzek, President (2009-2012) and Member (since 2004) of the European Parliament, Prime Minister of the Republic of Poland (1997-2001), Vice-President of the European Energy Forum.

CEEP – second annual members' meeting

By Joanna Kruczyńska

Members of Central Europe Energy Partners met for the Second Annual Members' Meeting (AMM) in Brussels, on the 27th June, 2013.

Prof. Jerzy Buzek, former President and current member of the European Parliament, former Prime Minister of Poland, and Vice-President of the European Energy Forum, kindly accepted our invitation to join us and share his views and opinions before the AMM.

Professor Buzek's speech centred on the question of the last three years, which have brought many important changes in the legislative framework of the European energy market, including, for example, security of gas supply regulation, an energy efficiency directive, regulations on guidelines for trans-European energy infrastructure and the European Council's conclusions on energy.

He also pointed out that we still have to continue working towards the full implementation of the Internal Energy Market (IEM) by 2014. He stressed the point that the strong support of the IEM report by the EP's ITRE Committee was a powerful signal that the European Parliament was committed to implementing its goals. He valued highly CEEP's input during his current work on the Internal Energy Market report, along with its professional expertise on important regional and European energy issues.

He highlighted the need for a stronger emphasis on what he termed 'regional urgency' of the issue, and indicated that CEEP's Energy Summit '29+1' in Vilnius clearly



'CEEP Annual Members' Meeting', (from left to right): Prof. Jerzy Buzek, former President and current member of the EP; Paweł Olechnowicz, Chairman of the Board of Directors, CEEP.

CEEP – second annual members' meeting

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showed that a big potential existed for promoting important regional initiatives during the Lithuanian Presidency of the Council of the European Union.

Professor Buzek believes that we should not forget about the wider European perspective, and regional co-operation and co-ordination can both be used as a perfect tool for creating an European IEM. In his view, we would soon be able to speak about one single and efficient European energy policy.

Upon Mr. Buzek's departure, CEEP activities were presented by Mr. Paweł Olechnowicz, Chairman of the Board of Directors of CEEP, as well as President and CEO of Grupa LOTOS S.A.

Mr. Olechnowicz focused on the fact that CEEP has been seeking to promote a balanced approach to achieving Europe's climate, sustainability, and energy security objectives. This entails supporting a common and broad-based EU energy policy, which also takes into account the interests of Central Europe. This special interest has been, and will be, devoted to various issues and aspects of energy security. Energy security is a broad concept that focuses on energy availability and pricing. The Chairman of the Board of Directors of CEEP asked a specific question: can the price of energy be one of the driving factors

of energy security? In fact, these were the main topics and the key question behind all of CEEP's activities during 2012/2013. A major feature during the past year was the fact that Central Europe Energy Partners sponsored, and the German consultancy agency, Roland Berger, prepared, an outstanding and unique report: 'What energy, price, growth?' (The Bratislava Report).

Mr. Olechnowicz made it very clear that the concept of cohesion is particularly important for Central Europe, and yet economic cohesion had virtually come to a halt in the last few years. Industrial growth will be a major factor affecting it, and economic growth, as well. The EU's climate and energy targets are subsequently, a big challenge for the EU-11. In order to preserve and strengthen the industrial competitiveness of the EU-11, it will be crucial to mitigate the impact of the energy system's transformation on the cost of energy, and keep EU-11 energy prices at internationally competitive levels.

He reminded those present at the meeting that, as global demand for energy continues to rise, energy security concerns become ever more important. To provide solid, economic growth and to maintain levels of economic performance, energy must be readily available, affordable, and able to provide a reliable source of power without vulnerability to long- or short-term dis-

ruptions. Interruption of energy supplies can cause major financial losses and create havoc in economic centres, as well as potential damage to the health and well-being of the population. The forecast growth in energy demand means that we will need many sources of energy, now and in the future. A diverse mix of energy sources, each with different advantages, provides security to an energy system by allowing flexibility in meeting each country's needs. The energy sector of Central Europe is already doing much in this field, but we still have to push the topic harder – and that is exactly what CEEP will be doing. For CEEP, there is still a lot of hard work to be done in this respect.

Other presentations were made by Mr. Henryk Woźniak, Vice-Chairman of the Board of Directors of CEEP, and Mr. Janusz Luks, CEO of CEEP.

Four resolutions were adopted unanimously: approving the statutory financial statements for the fiscal year 2012; approving the budget of 2013; discharging the Directors from liability with respect to their activity in 2012; and confirmation of a decision by the Board of Directors to nominate Mr. Henryk Woźniak as a Director of the Board. 

Comprehensive Integration of the Baltic States into the EU's Internal Electricity Market



By Virgilijus Poderys

Though it's a challenging time for Lithuania, this country in Eastern Europe has big goals, and from the 1st July, 2013, Lithuania will proudly hold the Presidency of the Council of the European Union for six months. Progress towards completion of the EU's internal energy market is one of the key priorities in the energy sector during the Lithuanian

EU Presidency. A fully functioning EU internal energy market is an indisputable priority of the entire European Union's energy policy. However, in order to create such a powerful trading operation, it is not only necessary to execute infrastructure projects and ensure the functioning of the market

– 'invisible' tasks must also be implemented. One such task is the case of the Baltic countries in terms of the connection of the Baltic power system to the synchronous grid of the European Continental Network.

It's a paradox, but historical circumstances have predetermined that Lithuania, which has been a member of the EU since 2004, is still synchronised with the IPS/UPS system, which links the power systems of Belarus, Russia, Estonia, Latvia, Lithuania, and other post-Soviet bloc countries.

Lithuania, along with the other Baltic countries, are successfully integrating their power transmission network infrastructure with Nordic and Western European countries, by developing the LitPol Link, NordBalt and EstLink 2 cross-border power interconnection projects. The EstLink 2 project, which will strengthen the connection between Estonia and Finland, is already scheduled to be operational at the onset of 2014. The LitPol Link and NordBalt connections, which will link Lithuania with Poland and Sweden, are set to be operational by the end of 2015. The Baltic countries are concurrently connecting their electricity markets with the Nordic

and Western European markets: on the 3rd June, 2013, the Nord Pool Spot Latvian bidding area began its operations, thus culminating the successful connection of the Baltic electricity markets with the Nordic markets.

However, Lithuanian, Latvian, and Estonian energy isolation will only be eliminated by fully-fledged integration into the EU's internal energy market. This could be achieved when the power systems of the Baltic countries begin to operate synchronously within the European Continental Network.

I would like to stress that the synchronous operation of the Baltic power systems with the European Continental Network is a logical next step after joining the European Union and NATO, as it will ensure the functioning, as in other fields, of the Baltic States' power sector in accordance with EU values and rules. Synchronisation with the European Continental Network is another big step which will re-orient the Baltic States from the East to the West. Similar to the introduction of the euro, the meaning of synchronisation with the European Continental Network is not only concerned with its technical or economic significance, but more importantly, related to security policy and confirmation of the common

Comprehensive Integration of the Baltic States into the EU's Internal Electricity Market

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values enshrined within the EU. Only work in a decentralised, synchronous European Continental Network system will enable the Baltic countries to be no longer dependent on decisions made by third countries. Moreover, this will determine the functioning of the Baltic power system under the uniform principles laid down in the European Union's laws, based on transparency and non-discrimination.

It should be noted that as far back as 2011, the Prime Ministers of Lithuania, Latvia, and Estonia expressed their purpose, by means of a special memorandum, to synchronise the Baltic States' power systems with the grid of Continental Europe.

Understandably, synchronisation with the grid of Continental Europe is a complex and comprehensive process. First and foremost, international agreements must be reached with regional partners, and institutions of the EU, as well as Russia and Belarus. The question of synchronisation also includes technical issues in adapting infrastructure and systems management, in securing reserves, and in de-synchronising from the Russian and Belarusian energy systems.

In order to solve this comprehensive task, the Baltic TSOs, with the help of partial EU funding, are carrying out a 'Feasibility Study on the Interconnection Variants for the Integra-

tion of the Baltic States to the EU's Internal Electricity Market'. This study is expected to answer the question of how to solve the paradoxical European-wide situation of the Baltic power grids operating in the centralized IPS/UPS system, as well as how to synchronise the Baltic power transmission systems with the system of Continental Europe, thus finally putting an end to Lithuanian, Latvian, and Estonian energy isolation from a system management point of view.

In conclusion, there is no doubt that synchronisation of the Baltic States with the Continental European grid is an important goal for all of the EU Baltic Ring countries, as well as one of the examples of the complexity of the EU internal energy market. The biggest challenge is re-orientation of the Baltic power system management principles to comply with the European system's management rules. Given the comprehensiveness of the synchronisation process and neighbouring Poland as the Baltic's 'window' for integration into the European power system, Poland's role and support in the process is of utmost importance. Synchronisation of the Baltic States with the European Continental Network will benefit Poland and the entire Central European region, as it will ensure power supply reliability, and will also broaden opportunities for power exchange between the Nordic and Baltic countries and Continental Europe.

Synchronisation of the Baltic States with Continental Europe is an illustrative example of the comprehensiveness of the tasks during the Lithuanian and future EU Presidencies towards completing a fully-functioning EU internal energy market. 

The European Continental Network is represented by the TSOs of the 24 Continental Europe countries operating synchronously. The main purpose of this formation is to ensure reliable and efficient transmission grid operation across the countries of Continental Europe.

Virgilijus Poderys,
Chief Executive Officer of LITGRID AB

Croatia's Accession to the EU: Strategic Perspectives for the EU's Energy Policies



Frank Umbach

By Frank Umbach

On July the 1st, 2013, Croatia became the 28th member of the EU. Croatia's admission to the European Union (EU) offers positive perspec-

tives for the energy policies and energy security of both the country, as well as the EU. With the pending final decision of the Shah Deniz Consortium for the Nabucco-West and/ or the TAB gas pipeline, as the major part of the EU's Southern Corridor project, the region of South Eastern Europe and its regional countries will become ever more strategically important for the EU's future energy security, as well as its Common Foreign and Security Policies (CFSP). As a major gateway to neighbours in Europe, and as part of the Eurasian silk road to China and the Asia-Pacific region, the EU's Southern Gas Corridor project will support the EU's external policies in line with the European Neighbourhood Policy and its regional initiatives (i.e. the Eastern Partnership). These energy policies of the EU have wide-ranging, geo-economic and geopolitical implications.

Croatia's new EU membership will boost the implementation of the EU's regional 'Strategy for Danube Region' of 2010, and the 'Energy

Strategy of the Energy Community' of 2012. Historically, the regional energy policies are bound to national boundaries with few transnational integration policies, even after the collapse of the Soviet Union and the former Warsaw Pact. By overcoming small national energy markets, and merging them into a common space for a liberalised energy policy, the need to connect space, people, their ideas and needs, opens new growth perspectives and enhanced living standards as the bedrock of a peaceful development and regional political stability. Thus, energy supplies and energy prices can be cheaper, more secure, and financially more attractive for foreign investors due to better links, alternative sources, and common rules, as well as regulations.

In May 2012, the Steering Group of PA2 of the EU's Danube Strategy accepted a set of policy conclusions to promote new energy infrastructures of regional importance which help to decrease its unilateral gas import dependence

and gas market isolation of the region. The introduction of the Danube Region Gas Market Model includes key energy infrastructure projects such as the Slovakia-Hungarian gas interconnector, the Polish shale gas project, the Gas Ring Concept, the Krk LNG-terminal project, gas storage capacities and the Bulgaria-Romania (Gas), as well as Bulgaria-Serbia Gas Interconnector projects.

The PA2 is also focusing on a Danube Region Renewable Energy Action Plan and a Danube Region Transnational Biomass Action Plan. However, the Danube Strategy's major aim is to facilitate the energy market integration of the regional countries and to co-operate closely with the Energy Community's objective to implement the EU's energy acquis in the Western-Balkan region, as well as in Moldova and the Ukraine.

Croatia is strategically-positioned alongside the planned transcontinental road, rail, and

Croatia's Accession to the EU: Strategic Perspectives for the EU's Energy Policies

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energy infrastructure transit corridors. In order though to exploit its advantageous geographical position, the country needs to create a stable political framework with a supportive and attractive, investment climate.

The EU opened the chapter on energy negotiations, in early 2008, as part of its accession process with Croatia. It forced Croatia to undertake a detailed analysis of its energy policies, problems, strengths and weaknesses, on the way to its EU accession. The integration policies of the EU, the EEC, and its neighbouring countries, are aiming to increase energy supply security of the Western Balkan states. More than 50% of its energy consumption needs to be imported: and even coal demand could only be met by imports. However, Croatia has got gas resources in the Adriatic Sea, partially shared with Italy. Exxon Mobile, Conoco Philips, and General Electric have signalled their interest at oil and gas exploration projects in the Adriatic Sea, depending on the passing of a new law on hydrocarbon research with a more attractive

investment climate, before committing to any concrete project.

Those regional energy policies and the EU's extension of the 'acquis communautaire' to the Member States of the Energy Community are based on the idea and assumption of creating a vast pan-European commonwealth, along with the common idea of the rule of law, as well as justice. Yet, the positive implications of Croatia's admission to the EU will remain dependent on further political, economic, and judicial reforms of Croatia, apart from the other regional countries, including the EU members of Romania and Bulgaria. Croatia and the entire region are, in fact, plagued by widespread corruption and a lack of transparency, the rule of law and independence of courts and judges, as the cases of the former Prime Ministers - of Croatia and Romania, Iva Sanader and Adrian Nastase, have reportedly highlighted. The judicial procedures of the trials have been criticised as being biased with expert opinions arbitrarily ignored. In the view of independent

observers, both unfair trials proved and highlighted the insufficient independence of the judiciary in line with European standards. The recent resignation of the Czech Prime Minister, Petr Necas, over corruption and a spy scandal, has highlighted that widespread corruption and the failing rule of law has even affected Central European countries, such as the Czech Republic.

The European Commission's close monitoring process has been focused, in particular, on competition policy, judiciary and fundamental rights, and freedom of security and justice. In all these fields, Croatia has made some significant progress, and often more than its neighbouring states. In the most recent ranking of the corruption index, edited by Transparency International, Croatia was judged less corrupt than four of the EU's member states: Romania, Bulgaria, Greece and Italy. Nevertheless, the challenges of the rule of law and independent courts will not come to an end with Croatia's accession to the EU, as the present develop-

ments in Romania, Bulgaria and the Czech Republic have demonstrated during recent years. The full application of the rule of law is a pre-condition for enhancing these countries' and their regional energy security, attracting more foreign investments, increasing the living standards of their populations, along with the final success of the EU's common integrated and liberalised energy policies and markets. 

Dr. Frank Umbach

Associate Director of the European Centre for Energy and Resource Security (EUCERS), King's College, London; Senior Associate and Head of the Programme for International Energy Security at the Centre for European Security Strategies (CESS GmbH), Munich & Non-Resident Senior Fellow at the U.S. Atlantic Council, Washington D.C.

European Technology Platform for Clean, Unconventional Hydrocarbons – ETPCUH

MEETING HELD ON THURSDAY THE 4TH APRIL, 2013, AT THE HEADQUARTERS OF THE POLISH OIL AND GAS COMPANY (PGNIG SA) HEAD OFFICE, WARSAW.

By Peter Whiley

The first steps towards the establishment of a European Platform for clean, unconventional hydrocarbons took place in Warsaw in April, with Günther Verheugen, ex- EU Commissioner for Enlargement, and then Enterprise and Industry, very much ‘at the helm’. In his opening remarks, he declared that “shale gas was shaping the world”, and “had a huge, huge, political and scientific dimension”. It was noted that shale gas in Europe faced a different regulatory and political environment, in comparison with the USA, and a structure involving a mixture of public and private establishments would give the Platform some necessary plausibility.

Mr. Verheugen, who was voted Chairman of the Platform’s Board of Directors, chaired the first session of a Working Group with an international mix of experts from Hungary, Lithuania and Poland.

It was agreed that the Working Party would regularly report on developments and keep in close contact with the co-operative level of the EU Commission. Their initial task was to prepare the necessary documents for the Commission’s registration procedures.

The document titled: ‘European Technology Platform for Clean, Unconventional Hydrocarbons: Mission, Objectives and draft of the Strategic Research Agenda’, formed the basis of the meeting’s discussions. The structure of the Platform was a hot topic, with the formation of specific groups within it, seen as vital. Five groups were finally proposed, including an Environmental Impact, and an Economic Aspects, with a Government Group to be possibly formed later. It was also stressed that the Platform would be wide-ranging in its approach, be willing to undergo research duties, and would consider all unconventional hydrocarbons including methane, not just shale gas.

Recruitment of other companies and institutes onto the Platform was seen as essential. It is estimated that about 30 bodies from the world of industry and science/ geology are interested in being potential partners of the Platform. It was agreed that the Platform should be open to everyone to join for those who deal with unconventional hydrocarbons, directly or indirectly, (e.g. producers of chemical, drilling equipment, etc.) with one proviso – the recruited party must come from within the EU. 



The first meeting of the European Technology Platform for Clean, Unconventional Hydrocarbons. Headquarter of PGNIG, 4TH April 2013, (from left to right): Janusz Luks, CEO, CEEP; Günther Verheugen, former Vice President of the European Commission.

We need a new agreement on climate policy that offers greater flexibility

THE PRAGUE REPORT PRESENTED AT THE 'ENERGY SECURITY IN CENTRAL EUROPE' CONFERENCE IN THE EUROPEAN PARLIAMENT

By Anna Dubowik

“The European Union’s energy and climate policy pays no regard to the economic and developmental differences between Central Europe and the Western Member States.” – said Konrad Szymański, in the opening speech of the ‘Energy Security in Central Europe’ Conference, organised jointly by his office, Herbert Reul, the European People’s Party Co-ordinator in the ITRE Committee, and Central Europe Energy Partners, on the 4th of June, 2013, in the European Parliament.

The meeting attracted more than 70 attendees including MEPs, EU institutions’ officials, and representatives of the European energy sector.

Konrad Szymański spoke about the fact that the EU-11 countries differ fundamentally from the rest of the EU. The EU-11’s national products are very energy-intensive, which makes our economies vulnerable to high energy prices. Whilst current dependence on energy imports is relatively low, EU climate policy threat-

ens to increase our reliance in the long-term. Referring to the discussions about the 2030 energy and climate framework – the dossier for which he was nominated to be the rapporteur – Szymański warned that the new agreement needs to take into account the economic differences within the EU.

Janusz Luks, CEO of CEEP, introduced the Prague report, prepared by Ernst and Young experts, which provides not only raw data, but also interpretation and explanation of policies pursued by the EU-11. He focused on energy security issues and on the role of regional initiatives such as the initiative of the Czech Republic, Hungary, Poland, Slovakia and the Visegrad Group aiming to establish the North-South energy infrastructure interconnection.



‘Energy Security in Central Europe’ Conference in the EP, (from left to right): Günter Verheugen, Former Vice-President of the EC; Herbert Reul, MEP, EPP; Konrad Szymański, MEP, ECR; Janusz Luks, CEO, CEEP; Piotr Piela, Partner, Ernst & Young; and Filip Grzegorzczak, Proxy of the Board, Acting Director for Energy Development, Kompania Węglowa S.A.

NEED FOR A BALANCED ENERGY POLICY FOR THE EU-15 AND EU-11

Piotr Piela, Partner at Ernst & Young, presented the main findings of the Prague Report. Despite the global economic slowdown, the EU-11 countries should continue to catch-up in terms of economic development in the upcoming decades; however, this economic convergence will put a higher pressure on their energy demand and therefore, region-specific approaches are needed to keep the balance. Vast infrastructure investments and diversification of energy-mixes will be needed in order to preserve security of supply. In the EU-11, strong focus should be on security and competitiveness goals with more flexibility regarding environmental protection policies. Therefore, it is important to call for a pro-growth policy in an ongoing public consultation on the 2030 energy and climate framework.

We need a new agreement on climate policy that offers greater flexibility

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FOCUS ON GENERATION EFFICIENCY INSTEAD OF COSTLY CLIMATE POLICIES

Günther Verheugen, former European Commissioner for Enterprise and Industry, said the new Member States are at a disadvantage, because EU policies are not matched to the level of economic development and country-specific needs. "Had we invested in existing coal-fired Polish power plants and increased their efficiency, we would have delivered the cost-efficient emission reductions in comparison to the outcomes of current policy. At the same time, we would have decreased the energy dependence," he reflected. Referring to the question of shale gas, he noted that while it is necessary to ascertain to what extent the extraction in Europe is economically and environmentally feasible, the EU should explore this opportunity due to growing energy demand.

"LEADERS OF THE EU-15 THINK THAT THEY CAN PLAY THE GAME OF PUTIN AND WIN"

Former Bulgarian Minister for Energy, Traycho Traykov, spoke about the economic implications of EU policies for Central European countries. He underlined that CEEP, together with the Ernst and Young experts, produced a commendable work by elaborating on the Prague report, whose relevance is evident with competitiveness issues being the focus of attention at the recent Energy Council and the last European Summit.

Further, he spoke about the Southern Gas Corridor and a lack of progress, due to the EU being unable to commit funding for this strategic project. In his view, the EU's decision – makers should find their independent voices when discussing energy infrastructure projects, along with shale gas exploration, a resource seen as a threat by the Russian leader.

FUTURE EU ENERGY POLICY SEPARATE FROM CLIMATE POLICY

Filip Grzegorzczuk, a Proxy of the Board and Acting Director at Kompania Węglowa S.A., the biggest

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013

Konrad Szymański MEP & **Herbert Reul** MEP
invite you to a conference on

Energy Security in Central Europe

Tuesday, 04 June 2013
9.00 - 10.30 am
ASP A1H1

**European Parliament
Brussels**

SPEAKERS:
Janusz Luks, CEO, CEEP
Piotr Piela, Partner, Ernst & Young
Günther Verheugen, Former Vice-President of the European Commission
Traycho Traykov, Former Minister of the Economy, Energy and Tourism, Bulgaria
Filip Grzegorzczuk, Proxy of the Board, Acting Director for Energy Development, Kompania Węglowa S.A.
Constantin Niță, Minister Delegate for Energy, Ministry of Economy, Romania (TBC)

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We need a new agreement on climate policy that offers greater flexibility

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hard coal producer in the EU, gave a presentation titled: 'Coal – an enabling component of energy systems' evolution', in which he compared the rationale for the use of coal in the region with the use of locally available culinary products all over the world. In the post-2020 framework, the same weight should be given to all three pillars of EU energy policy: competitiveness, security of supply and sustainability. Thus far, energy policy has been the object of climate policy experiments. Speaking of the unfairness of decarbonisation policy, Dr. Grzegorzczuk queried a French reaction to an EU-imposed denuclearisation policy which would have been perceived as a breach of the right to freely choose the energy-mix. The same analysis holds true for EU-imposed decarbonisation. 



'Energy Security in Central Europe' Conference in the EP, (from left to right): Konrad Szymański, MEP, ECR; Janusz Luks, CEO, CEEP.

VDI TECHNICAL CONFERENCE

BERLIN, 6TH - 7TH NOVEMBER, 2013

Target Group: Engineers, technologists and specialists from power point technology, in particular the managers and staff of power-plant operators, plant and component manufacturers, technological approval and surveillance institutions, technical colleges and universities, public administrations, and regulation agencies.

CEEP invites you to attend this high-powered, intensively planned event. It is of major importance for those of you involved in the European Power Market, and those who are employed in power plants. These are just some of the Conference themes: 'Operational flexibility and efficiency increases in power plants'; 'The European Power Market – Shift of Paradigms'; and 'Solutions for flexible operations of existing and newly-built power plants'. On Day 1, at 12.00, the session titled: 'The EU Energy Agenda – the same for EU-11 and the EU-15?' will be of special relevance to CEEP members and will be led by Professor Dr. Friedbert Pflueger, from EUCER's, King's College, London, a familiar figure to CEEP followers.

Two of the Conference's sessions are particularly interesting: 'The effects of fluctuating grid feeding on steam turbines and generators' (no. 7 on the programme) and 'Efficient processes for CO₂ elimination in existing power plants and CCS' (number 11 on the programme). The Conference Chairman will be: Dr. Christoph Löwer, from the leading company, Alstom.

Official Partners: EPPSA, IERE, and CEEP – all confirmed; and possibly, one more. Contact: Anna Maria Luning, Manager, International Business Development, VDI, Wissensforum GmbH. Tel: +49 211 6214 609. E-Mail: luening@vdi.de

If you have any queries, please feel free to contact us at: brussels@ccep.be.

CONSULTATION ON THE 2015 INTERNATIONAL CLIMATE CHANGE AGREEMENT:

Shaping International Climate Policy Beyond 2020

CEEP's position on climate issues:

1. GENERAL REMARKS:

1.1. Actual situation

The question of climate change is very important for us and for our future generations, and should be addressed, not only by the EU, but by all countries all over the world, especially from OECD countries and such big economies as China, Russia, Brazil, India (G-20), etc. When we write 'addressed', we have in mind, not only verbal declaration, but actual activity leading to CO₂ emission decreases. Some countries are trying to take unilateral measures, but the results are meagre. The result is that even modest pledges of the countries have been implemented to about 30%. This shows that 'practical enthusiasm' measures for climate defence are absolutely not enough. Take, for example, such rich countries as the US, where emissions per capita in 2011 amount to 17.3 tonnes; Canada 16.2; Australia 19; Japan 9.8; Russia 12.8; and South Korea 12.6; whereas the average in Europe is 7.5 tonnes. The majority of countries are even below the EU level, as for example, India, which has got 1.6 tonnes only; Brazil 2.3;

and Turkey 2 tonnes. The average figure for the world is 4.9 tonnes. It's not easy to solve a dilemma on how to make the biggest emitters decrease their emissions, whilst curbing the ambitions of many countries to develop their industries, which ultimately means an increase of emissions. This does concern India, Turkey, or even Brazil, but we should bear in mind that, in the near future, many Asian countries will try to develop their economies, and 'sleeping' Africa will soon emerge with their ambitions, too.

1.2. Does richer mean more emissions?

This is not a rule, but in the overwhelming majority of cases, the countries with higher GDP per capita are the biggest emitters of CO₂. Should these countries decrease their emissions sharply, not only for the climate's sake, but for the sake of the healthy development of the developing countries, to keep world average CO₂ emissions not higher than, for example, 2011's figure for G-20 countries of 4.9 tonnes per capita? The discussed 100 billion dollars per year to support developing countries seems not to be a proper solution, as from one side,

it's an alluring amount, but from the other side, climate change prevention measures are considered by many of these countries as a very serious hurdle on the way to industrial development.

1.3. Impact of climate policy

We must remember that climate policy may change economies and the living standards of citizens, especially in countries with a low GDP, due to their high sensitivity to rises in energy prices. Therefore, it is important to seriously consider a fair share of the costs of climate policy, taking into account the GDP per capita, the CO₂ emissions per capita, and the unemployment rate.

1.4. More consideration

Much more should be done by the EU, to convince the biggest emitters to decrease sharply their emissions per capita, but in terms of practical reality, otherwise the EU will have no chance to compete with many countries such as the USA, Canada, China, and even Turkey. It seems to us that the benchmark of CO₂ emis-

sions by 2030 should be the same for the EU, G-20, and OECD countries, and our suggestion is: 7.1 tonnes per capita. Such a figure will be fair for all these countries, and will assure fair competition, and a fairer international share of employment. In such a case, no carbon leakage, and no closing of existing facilities in the EU should be expected.

2. QUESTIONS:

2.1. Question No.1: According to us, the goals which are proposed by the EU are too ambitious for the leading economies in the world. Take, for example, the USA: their emissions per capita in 2011 were 17.3 tonnes, whereas in the EU, the average was 7.5 tonnes. Very ambitious USA's plans decrease this figure by 2020, to about 13 tonnes, which will still be two times more than in the EU at that time. If the benchmark will be 7.1 tonnes in 2030, with great probability, the USA will be able to achieve this level, as well as China and others. Of course, this means a slowdown of ambitious EU plans, but will enable the EU economies - to survive.

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The Agreement can still give the opportunity for those countries, who want to be leaders in CO₂ emission decreases, that on an individual basis, they can pledge higher decrease figures.

Another chapter should concern the developing countries and how to cope with their ambitions for development of their industries. In our opinion, simple distribution of as high an amount as one hundred billion US dollars yearly, will not be sufficient, and should rather be substituted by the transfer of BAT and related equipment .

2.2: Question No.2: Our proposal concerning the establishment of a benchmark for the emissions per capita should prevent any carbon leakage. This does not concern developing countries, for whom different regulations should be established, as it is not possible to put into one basket - both developed and developing countries.

2.3: Question No. 3: This question is of a political character and depends on whether the politicians can convince their societies and colleagues from other countries, that global warming is scientifically justified. Action is now required if we want us and future generations to be protected from the negative conse-

quences of climate change. This remark concerns EU activities as well, as we see that a lot of unnecessary effort takes up time within the EU, while the major trust should be directed towards their international activities, first of all, with the OECD, and then, the G-20 countries.

2.4: Question No. 4: As we said in answer to question no.2, the basic criteria should be CO₂ emissions per capita. We can consider as well GDP per capita, but we presume that the richest countries will not accept it. Another possibility is the unemployment rate, but this proposal again will not be accepted by the richest countries.

2.5: Question No. 5: In our view, the Agreement should be divided, as mentioned above, at least into two parts – one for developed countries (the EU, OECD, G-20), and the other for developing countries, as it would be very difficult to find the common economic denominator for a patchwork of countries.

2.6: Question No. 6: As climate change is a global issue, we should apply global mechanisms to encourage CO₂ emissions decreases. It is doubtful that such a mechanism could be based on the EU model, but some of its com-

ponents could be included. We are especially referring to the ETS, which has the chance to be internationalised on a voluntary basis, under United Nations supervision and organisation. A separate Convention should be prepared based on the 2015 Agreement. Another instrument is the proposal of 100 billion US dollars which, as mentioned already by us, should be transferred in the form of BAT, and relevant equipment. One should answer the question how to accept particular investment in developing countries. Again, a special Convention derived from the 2015 Agreement, should be prepared. The United Nations should define the role of the World Bank in climate change issues.

2.7: Question No.7: The 2015 Agreement should be the basis of the Convention which will describe the transparency and accountability of countries. The method should be clear and there should be the possibility to verify the received data by the United Nations, similar to the controls/ regulations applied by the EU. How to penalise countries which fail to meet their obligations? This is a very serious problem which can lead, for example, to imposing extra customs' duties.

2.8: Question No. 8: As we mentioned above, a less ambitious approach will bring better rewards, that is why we propose 7.1 tonnes per capita emissions, in 2030, for EU, OECD, and G-20 countries. This will enable an honest discussion with the richest countries, and not penalise the less affluent nations, giving them the chance to decrease CO₂, develop RES, whilst developing their own indigenous sources of energy, and decreasing unemployment. If these factors are not accepted in the 2015 International Climate Change Agreement, there will be no chance to find a common solution for the developed countries, and even less likely to produce an agreement that will satisfy the interests of the developing countries.

2.9: Question No. 9: As we already suggested, the EU should become more active, especially in talks with the richest countries, plus China, as they do have, and should have, the biggest impact on climate change. ☺

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ENERGY DIALOGUE AT THE REICHSTAG



Arash Duero

By Arash Duero

The 38th Energy Dialogue at the Reichstag - at the invitation of Prof. Dr. Friedbert Pflüger, Janusz Reiter, and Central Europe Energy Partners (CEEP) – discussed Agora’s 12 Insights on the German ‘Energiewende’ on June the 7th, 2013, in Berlin.

Rainer Baake, Director of Agora Energiewende, opened the discussion by introducing 12 Insights he and his team developed on the German energy transition, or ‘Energiewende’. He stressed the fact that Agora primarily focuses on key issues in the power sector, whilst acknowledging that both the heat and transport sectors have important roles to play in making the transition towards a more sustainable energy system over the next few decades. Mr. Baake stated that wind and solar power are “essential pillars” of the ‘Energiewende’, and identified the need to synchronize power supply and demand as a central challenge. Moreover, he addressed a number of other key challenges associated with the transition of the power system. These included: the question as to whether or not Germany will need capacity markets, as renewables increasingly gain a larger market

share; the delays in transmission grid expansion; the prospects of developing advanced power storage technologies over the mid- to long-term; as well as the role energy markets can play in guaranteeing system reliability. Finally, Mr. Baake advocated promoting closer energy co-operation between Germany and its neighbouring countries, in order to find common solutions to the problems associated with the ‘Energiewende’.

Hildegard Müller, Chairwoman of the General Executive Management of the German Association of Energy and Water Industries, agreed with Mr. Baake regarding the importance of greater energy co-operation at the EU level, and found Agora’s 12 Insights to be a good basis for discussion. She expressed her concern for the current political course in Germany, and emphasised the need to harmonise the disparate energy policies among its sixteen federal states, in order to achieve the ambitious aims of the ‘Energiewende’. Mrs. Müller also stated that the timing and implementation of different mechanisms to ensure a successful energy transition remain significant challenges. Furthermore, she underscored the importance of market-based competition in helping to determine which role various technologies have to play in ensuring power supply in the future. Finally, she suggested setting EU energy targets for 2030 – claiming that the 2020 and 2050 goals are too short and too long-term, respectively. ○

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