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2

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MAKING THE INTERNAL ENERGY MARKET WORK >5

COMMON SENSE - VICTORY OVER WISHFUL THINKING >7

THE EUROPEAN PARLIAMENT SUSPENDS THE ACTIONS OF THE EUROPEAN COMMISSION REGARDING 'BACK-LOADING' >8

THE 36TH ENERGY DIALOGUE AT THE REICHSTAG >9

EUROPE - COHERENCE AND EXPECTATIONS >10

A 2030 FRAMEWORK FOR EU CLIMATE AND ENERGY POLICIES >12

ITRE PUBLIC HEARING ON 'GAS AND COAL: FRIENDS OR ENEMIES?' >13

Dear Readers of the CEEP Report



Jerzy Buzek

Energy was the first of all global concerns that we handled in the 20th century. It was also at the very forefront of topics I dealt with when serving as Polish Prime Minister and as President of the European Parliament. Today, in our efforts to move forward from the crisis and to bring the EU back to growth the role of energy is even greater. In order to stimulate the economy and to increase its competitiveness, we need to follow two paths: the path of innovations, and the path of further market liberalisation. The most important step on

the second path is the creation of an EU single market in energy. A market that will give us a well-balanced energy triad consisting of: security of supply, sustainability and affordability.

I am grateful for the opportunity to contribute to this edition of the CEEP Report with an article about the establishment of the Internal Energy Market, for which I am currently responsible, representing the European Parliament. In the text, I will outline the ways in which the IEM will balance the market game: how it will allow consumers to become active players, how the corporate sector will be able to take advantage of access to a competitive market of half a billion consumers, thus, receiving a strong incentive to stay and operate in the EU, instead of moving outside and, last but not least, how the market will stimulate the energy sector's development.

I find it very fortunate that in 2010, the year Jacques Delors and I launched the initiative of the European Energy Community, whose central point is the establishment of a single energy market, Central Europe Energy Partners began its existence. Given the region's differ-

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THE SOUTHERN GAS CORRIDOR - A GLOBAL PUBLIC GOOD

By H.E. Mr Titus Corlăţean

I would like to extend a warm welcome to the CEEP Report for its first-rate commentary on European Affairs. It is with much interest and enthusiasm that we have learnt about CEEP's profile and its contribution in promoting the Central Europe Energy Sector at the European Union level. Its brief and exciting track-record has to be commended. It is in this context that the perspective I would like to cover refers more to the sustainability side of energy security, and I invite readers to look at Europe's Southern Corridor as an increasingly 'Global Public Good'.

The Southern Gas Corridor (SGC) could be the European Union's defining answer for its most pressing energy needs, while equally opening a new path for co-operation in a larger development perspective. Although the economics count when

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>>> CONTINUATION from p.2

ences from the EU-15, in terms of energy demand and the importance of the energy sector, resulting from a different structure and stage of development of the economies, the implications of market liberalisation also deserve to be discussed on a regional platform, which CEEP so fruitfully facilitates.

I perceive the Vilnius Energy Summit '29 + 1' in May, to be not only another opportunity for such discussions, but also an appropriate introduction to the Lithuanian Presidency of the Council of the European Union, in the latter half of this year. Knowing that the development of the Internal Energy Market is already foreseen as one of the priorities of the Presidency, I have no doubt Lithuania will dedicate as much attention to this challenge, as Ireland does now.

As we are still in the football season, allow me to conclude by referring to the legendary German player and coach, Franz Beckenbauer, who once said that "football was the most important of all unimportant things." To rephrase his words, we could say that energy - in the 20th, as well as in the 21st century - is "the most important of all important things." 🌱

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.

THE SOUTHERN GAS CORRIDOR - A GLOBAL PUBLIC GOOD

>>> CONTINUATION from p.2



Titus Corlăţean

costs and benefits have to be assessed, the strategic relevance of such an initiative goes beyond it. We could state for a fact that there is no energy policy bound by political borders, and this cannot be any clearer than in Central and South-Eastern Europe.

The envisaged gains of the SGC are multifold: it reduces energy poverty; facilitates access to basic needs (heat, electricity, food and water); protects the environment and enhances the social benefits as an enabler for economic development.

The European Union's strategy for achieving a secure, competitive and sustainable energy market advances in synchronicity with the efforts for completing the EU's internal energy market by 2015. The key component of an integrated European energy market remains the promotion of double diversification - of sources and transport routes, and in turn, the main primary means to achieving security of supply. Romania is playing its part towards the stated goal and we are satisfied with the progress thus far.

These efforts are set against the nature of development challenges which indicate that global problems require global solutions, while new forms of international co-operation are needed, with the involvement of emerging and developing countries. It is a shifting paradigm, an opportunity to be mastered for all the riches it heralds. The chance to end poverty in an energy-hungry world should be the cornerstone for setting sustainable energy goals in the post-2015 United Nations context. This changing international environment, with global challenges shaping mutual inter-regional interests, requires targeting resources to address energy poverty "where they are needed most, and

where they could have the greatest impact". The SGC does just that, as a multi-source transportation project which is 1. Non-exhaustible (gas as a global commodity due to Shale and LNG developments); 2. Non-exclusive (allows third party access); 3. Non-rivalrous (quantity unimpeded by someone else's consumption).

The SGC directly links Europe's Eastern and Southern neighbourhood, i.e. Central Asia and Middle East to the continental core. It stands as a concrete example of EU-led initiatives that prompted the UN to recently declare 2014-2024 the decade of 'Sustainable Energy for All'. Resumed economic vitality and global competitiveness for Europe, therefore, requires a focus on growth-promoting initiatives and the opening of markets in strained countries.

The European route for the transportation of natural gas will soon be selected by the international consortium managing the Shah Deniz field. A remaining contender within the Southern Corridor is the Nabucco West pipeline. From its very inception, the Nabucco project has been the embodiment of European solidarity in achieving energy security. It reinforces the commercial substance of an international

THE SOUTHERN GAS CORRIDOR - A GLOBAL PUBLIC GOOD

>>> CONTINUATION from p.3

company with the tested political support of our countries. Nabucco best answers the policy priorities that the European Commission outlines, along with the criteria of the SD Consortium.

The selection of Nabucco is also a financially sound decision from the EU's perspective. If built, the project would also cover to a significant degree the transit region's needs for interconnection and new supplies. The European endorsement for a project of common interest should mobilize international capital from emerging and developing countries. I also welcome the progress on the Eastern section of the project, the Trans-Anatolian pipeline.

The positive externalities of Nabucco clearly come from spill-over effects across sectors, be those transport, telecommunication, or education. Its state-of-the-art technology and the environmental impact assessments performed in the national sectors, make it a blueprint in the field of energy infrastructure. From a public policy perspective, it is not only impacting the largest number of countries within the Union, but also cutting across the most sensitive areas for strategic co-operation.

Once implemented, it will be a real token of interdependence and mutual recognition, bringing about the best of both worlds. 



Titus Corlăţean, Minister of Foreign Affairs of Romania

TITUS CORLĂŢEAN - BIOGRAPHY

Currently Minister of Foreign Affairs, ROMANIA
 Previously Minister of Justice, ROMANIA

Previous roles include:

- Member of the European Parliament,
- First Vice-Chairman of the Committee on Legal Affairs of the European Parliament
- Senator, Chairman of the Foreign Policy Committee in the Romanian Senate
- Member of the Lower House of the Romanian Parliament
- Member of the Romanian Parliament's Delegation in the Parliamentary Assembly of the Council of Europe

Political position

Vice-president of the Social Democratic Party (PSD)

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Ph.D. in Law / University of Bucharest

Scientific writings:

- Enforcement of the European Court of Human Rights decisions, Collection Monografii, Universul Juridic, Bucharest, 2011
- Succession of the Russian Federation to the Belgrade Convention regarding the regime of navigation on the Danube (1948) and to the Danube Commission, Collection Monografii, Universul Juridic, Bucharest, 2012
- Succession of the States in international law. Particular Case: Republic of Moldova,, Collection Monografii, Universul Juridic, Bucharest, 2012
- European and International Protection of Human Rights, Universul Juridic, Bucharest, 2012

Originally from Medgidia, lives in Bucharest, married, one daughter.

Making the Internal Energy Market Work



Jerzy Buzek

By Prof. Jerzy Buzek

A thriving economy requires secure, stable, and affordable energy. In today's turbulent times, such a well-balanced 'energy triad' can become the European Union's greatest asset in the global race towards a steady and sustainable increase of our competitiveness. The only way to achieve it is to create a harmonised common energy market that will be well-connected, well-regulated, open and competitive, flexible and predictable. I am convinced that the Internal Energy Market (IEM) is a sine qua non condition for the success of both the 'Europe 2020' strategy and the Single Market Act II. After all, it is the single market

which - along with innovations - constitutes one of the two channels leading towards a competitive European Union.

The Internal Energy Market was one of the three pillars of the European Energy Community launched by Jacques Delors and myself in May 2010. While serving as the European Parliament's President, I discussed the initiative broadly with all the EU's decision-makers. It was welcomed and supported all over Europe. Hence, it is understandable that in February 2011, during the first ever European Council Summit on Energy, EU leaders decided to finalise the IEM by the end of 2014: a deadline that will be extremely difficult to reach.

The goal is to create an energy market that will allow for a 'win-win' market game of all players, from energy producers to end clients. It should be re-balanced, so that consumers are able to play a more active role in stimulating market competition, moving from passive service recipients to active, aware consumers and prosumers. Today, the market is neither open nor competitive, leaving consumers disadvantaged. Its high concentration has diverse implications for all stakeholders, affects the quality of services, and results in insufficient flexibility.

A user-friendly IEM should offer consumers a 'triple C' set of benefits: clarity of information, control, and choice. Consumers will better understand the rules



Making the Internal Energy Market Work

>>> CONTINUATION from p.5

of the market and will be able to make well-informed decisions. Currently, the markets are insufficiently transparent, which results in consumers having a poor awareness and understanding of the options available to them. They lack the tools to compare the offers of different suppliers, and they do not know whether it is possible to profitably switch between providers, to gain access to more affordable and reliable energy. In many Member States, switching is not possible at all; in some others, such a possibility does exist, but it fails to provide more advantageous prices or an increased quality of service. There is great potential in enabling the adjustment of energy distribution to real demand and better control of the level of expenses in smart grids and meters. However, they must not be restricted to automatic meter-reading only - they must provide a complex online grid management system.

Energy prices affect, to a certain extent, the prices of all services and goods. Consumers – who are at the very core of the integrated energy market – should benefit from it via lower prices facilitated by increased competition. Today, energy prices are high, and in many cases, they are on the increase. Furthermore, prices differ heavily across Europe. Wholesale gas in Estonia can be 50% more expensive than in the United Kingdom, and electricity can be almost 70% more expensive in Italy, than in Estonia.

Energy prices are also too often and too rigidly regulated by the Member States.

For the business sector, the creation of the IEM will bring about new investment opportunities, incentives to remain active in the EU, to create new jobs, and, last but not least, opportunities for strengthening the economy with high-end technological innovation. Energy producers will benefit from clear rules, equal and fair access to the single market, as well as more predictability. They will be motivated to generate and sell energy, which will create a natural competitive environment. It will also mean an increase of energy security, thanks to reduced dependence on non-EU sources, apart from a stronger negotiating position with external suppliers.

Our top priority must be ensuring full EU-wide system connectivity and its cost-effectiveness, together with the necessary investments in a new infrastructure. Today's energy market in the EU is poorly interconnected. The compatibility of national grids remains low, which results in such challenges as energy islands and loop flows. A huge part of the necessary connectivity investments may not be commercially viable, and they require serious consideration in terms of funding from national and community resources.



The growth we strive for ought to be sustainable and sensitive towards the environment. By ensuring a more efficient means of producing, storing and distributing energy, a competitive market will render the sector more environmentally-friendly. A well-designed and well-conducted, open and coherent energy market must also allow for the transition to a low-emission European economy in a most secure and cost-efficient way.

The good news is that the creation of the IEM requires no new legislation. It is all there, above all in the form of the Energy Packages. Member States must urgently implement all the existing legislation, so that we have a fully

integrated and competitive energy market as soon as possible. The European Commission should use all available means to motivate EU countries to fulfil this task. These are the key recommendations which I included in a report titled 'Making the Internal Energy Market Work', which I recently submitted to the European Parliament.

The internal energy market is not an end goal - it is a tool. We will not ensure the prosperity of our citizens nor business without affordable energy prices; we will not make Europe a greener place for future generations, without the low-emission technologies of production and distribution of energy. However, an integrated energy market will never become a reality, unless today's broad spectrum of different national approaches to energy is replaced by a European approach. We do indeed need a big, common European Union energy market, if we want to avoid both social and energy poverty in Europe in the future. ◉

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.

STATEMENT OF THE CHAIRMAN OF CEEP'S BOARD OF DIRECTORS CONCERNING THE EUROPEAN PARLIAMENT VOTE ON BACK-LOADING (APRIL 16TH, 2013)

Common sense - victory over wishful thinking



Paweł Olechnowicz

By Paweł Olechnowicz

The European Parliament vote has shown that the EU should adhere to, at least until 2020, the ETS system, which has stimulated a systematic decrease of CO₂ emissions by 1.74 % on a yearly basis.

The ETS system has enabled the EU to play a leading role in the world in the decrease of CO₂ emissions. The EU, in fact, emits half of the CO₂ that, for example, the US does where announced programmes and

deployment of shale gas would still not be enough to better the EU's emittance rate, at least by 2030. China is increasing rapidly the use of coal to have cheaper energy to enlarge the existing gap in costs of production between them and the EU.

Moreover, one has to take into consideration the differences in GDP within the EU, especially between Central Europe and the rest of the EU. The dynamic development of industry is needed to catch-up. The common view is that more industry equals more emissions, but this is not so.

Technological progress comes into the picture and proves that under the existing ETS regulations, which are more stringent year-by-year, the price of allowances is lower than expected by some enthusiasts who would happily support the closing down of industry and the subse-

quent increase of unemployment.

At the same time, the world of RES is blooming, and we in the EU have no problem with RES development, but we do struggle with the ways to adjust our economies to the too rapid deployment of RES.

It is reassuring to know that European MPs understand what is going on in the surrounding world and have voted for a cleaner Europe, giving industry the chance for more rapid development with the use of BAT, giving a chance for the unemployed, allowing for the use of the cheapest indigenous sources of energy and preserving the EU's competitive advantage in international markets. On the 16th of April, 2013, we duly witnessed a victory of the free market over the bureaucratic approach. ☺

The vote in the European Parliament concerning back-loading (April 16th, 2013) - by nationality.

- decisive supporters (at least 2/3 members voted for backloading)
- majority supporters (from 1/2 to 2/3 members voted for backloading)
- undecided (votes balance)
- majority opponents (from 1/2 to 2/3 members voted against backloading)
- decisive opponents (at least 2/3 members voted against backloading)



Source: <http://www.votewatch.eu/>

The European Parliament suspends the actions of the European Commission regarding 'back-loading'



Dr. Christian Ehler



Bogdan Marcinkiewicz

By MEPs - Dr. Christian Ehler and Bogdan Marcinkiewicz

Members of the European Parliament (MEPs) voted on the 16th of April, 2013, against freezing auctions of a portion of CO₂ emission quotas, which were intended to boost the price of EU CO₂ allowances. A majority of MEPs felt that interfering with the supply of credits would undermine confidence in the Emissions Trading System (ETS), which was primarily designed to cut greenhouse gas emissions.

The proposal to freeze credits, known as 'back-loading', was rejected by a narrow margin, with 334 MEPs voting in favour of an amendment rejecting the proposal, 315 voting against it, and 63 abstaining. The proposal will now be referred back to the EP's Environment Committee.

MEPs opposing the measure, advocated deeper reform of the ETS, and feared that interfering with the supply of credits could undermine investors' confidence in the scheme. Some also believed that a rise in the carbon price would erode the competitiveness of European industries and be passed onto consumers through higher household energy bills.

On the other hand, supporters of the measure argued that an oversupply of credits must be corrected to make the system function as intended. They claimed that a higher carbon price would catalyse the EU's transition to a green economy, by stimulating investment and innovation, and could also have helped to connect the EU carbon market with those of other regions.

MEPs Bogdan Marcinkiewicz and Christian Ehler, Chairs of the Round Table on Coal in the European Parliament, supported by CEEP and EURACOAL, voted for the rejection of the Commission's proposal regarding 'back-loading'. The proposed amend-

ment of the Directive would have given the Commission practically an unrestricted mandate to change the auction calendar, and thereby 'de facto' the market. In accordance with Article 10 Par. 4, Directive 2003/87/EC, the auction process should generally be predictable, in particular, regarding the timing and sequencing of auctions, and the estimated volumes of allowances to be made available.

In Mr. Marcinkiewicz's opinion, the adopted ETS mechanism is designed as a market-based instrument to promote the reduction of emissions in a low-cost and cost-effective way. The Commission's proposal regarding 'back-loading', ran counter to this approach, especially with regard to security planning, as it created a dangerous precedent. The artificial price regulation of CO₂ is not the right tool for innovation policy, because it denies the basic conditions of various industries.

"Europe cannot practice such an isolationist policy and introduce legislation ad hoc. The results of the public consultation clearly showed that the 'voice' of some of the EU countries was ignored. Hence, my strong opposition to this type of law and regulation control", the MEP stressed.

The European Parliament suspends the actions of the European Commission regarding 'back-loading'

>>> CONTINUATION from p.8

Dr. Christian Ehler felt 'back-loading' was unnecessary, because it would only increase energy prices for consumers, and threaten the competitiveness of Europe's industrial sector. He explained his vote against the ETS's 'back-loading' proposal:

"The Emissions Trading System (ETS) is a well-functioning market mechanism which will allow us to reach our climate goals. The cap of the ETS is reduced steadily by 1.74% per year, so that we will reach the agreed reduction goals for the ETS sector.

The low price for CO₂ emissions is due to the economic crisis, along with the industrial weakness of the European

Union. Our goals should be to create economic growth and strengthen our industrial base, and not weaken it further by intervening in the carbon market. Emission prices will pick up again, once the economy in Europe recovers.

The main goal of the ETS is the reduction of CO₂ emissions. It is not its primary purpose to finance investments in energy efficiency and clean energy technologies. To this end, we have agreed on other means, such as the energy efficiency directive." ◉



THE 36TH ENERGY DIALOGUE AT THE REICHSTAG



Arash Duero

By Arash Duero

The 36th Energy Dialogue at the Reichstag, at the invitation of Prof. Dr. Friedbert Pflüger, Janusz Reiter and Central Europe Energy Partners (CEEP), took stock of the German 'Energiewende' two years after Fukushima on April the 24th, 2013, in Berlin. About 40 people attended the event, representing Members of the German Parliament, companies from the energy sector, and reps. from governmental administration.

Jürgen Trittin, Chairman of the Parliamentary Group of the Greens, observed that, for the first time, the renewables industry in Germany has experienced a decline in the number of jobs, investments, and growth. He attributed this decline in part to the low price of carbon, claiming that it is making it difficult for renewables to compete with coal. Moreover, he maintained that – over the short to medium-term - the existing feed-in tariff system will remain the most suitable policy framework for the continued promotion of renewable energy in Germany. Mr. Trittin stated that the exemption of energy-intensive industries from

the renewable surcharge is a key driver behind energy cost increases, and stressed the need for the lifting of such exemptions, as well as a general overhaul of the EU ETS scheme in order to make renewables more competitive. As to the question of capacity markets, he asserted that paying conventional power plants to remain on stand-by would not be a marketable option.

Johannes Teysen, Chairman and CEO of E.ON SE, spoke not only of a German, but also a global energy transition. He identified technological change as a key driver of this transformation. As an example, Mr. Teysen pointed out that the US shale gas revolution has done more to reduce CO₂ emissions in the USA in the past few years (albeit unintentionally), than efforts to promote renewables have in Germany. He cautioned that it would be imprudent to place too much focus on one or two technologies, and reminded the audience that there are certainly additional technological alternatives which can also contribute to climate goals. Moreover, he stressed the importance of the role of consumers and identified three key aims energy companies should fulfill when meeting consumer needs, namely ensuring competitiveness, affordability and sustainability. This, he said, was currently not the case in Germany, where substantial renewable subsidies have contributed to significant energy price increases. ◉

Europe - coherence and expectations

By Witold Nieć

Security in the energy sector and energy prices were the main subjects discussed during the Global Security Forum (GLOBSEC, 2013), which was held from the 18th to the 20th April in Bratislava. Central Europe Energy Partners (CEEP) was the main organiser of this Forum which became an important event during the Polish Presidency in the Visegrad Group.

Mrs. Beata Stelmach, Under-Secretary in the Ministry of Foreign Affairs, and Mr. Peter Burian, State Secretary in the Ministry of European and Foreign Affairs of Slovakia, opened the debate involving several experts.

“The efficient usage of Europe’s existing resources is a fundamental step to sustainable development and security in the energy sector,”– Mrs. Stelmach asserted. “Dialogue is very important – not always do we have the same views for different energy and climate political aspects, but we still have to remember that most important is the creation of new communication bridges between our countries to present our coherent vision. The best example of this kind of co-operation is the Central Europe Energy Partners Association,” Mr. Burian underlined. “Slovakia supports all activities that are transparent for the energy policies in the EU – this will help us to react in situations when the security supply could be threatened. We also support the competitiveness of the economies of the Member States. CEEP is one of the strongest voices in underlining this kind of thinking,” he added.

REPORT FROM BRATISLAVA:

Participants at the meeting pointed out that the homogenous policy for the energy sector proposed in Brussels does not include differences in the economic development and characteristics of

the energy sector which are detrimental for Central European countries – mainly because of the systematic growth of energy prices. This situation is worst for the counties that joined the EU after 2003, and that is why it is so important to use all existing sources of diversification and capabilities of energy production.



GLOBSEC 2013, Energy Forum, (from left to right): Ian Brzezinski, Senior Fellow, Atlantic Council, Washington, D.C.; Beata Stelmach, Undersecretary of State in the Ministry of Foreign Affairs of Poland; Paweł Olechnowicz, Chairman of the Board of Directors, CEEP; Peter Burian, State Secretary of the Ministry of Foreign and European Affairs of the Slovak Republic

‘What Energy, Price, Growth?’ is the most important message in the Roland Berger Report commissioned by CEEP, and presented, - for the first time, - during the Global Security Forum. The authors of the report show all the differences between EU-15 countries and countries that became members of the EU after 2003, also mentioning that to reach the EU’s climate goals will

be a serious and important challenge, but also a burden for the ‘new’ EU economies.

To create stable economic growth and maintain the proper level of performance of industry, energy has to be not only easily accessed, but also needs to be based on affordable prices. Energy should also come from domestic sources which are stable and resistant to various types of short and long-term disruption. Today, and in the future, we need many energy sources, only then will we provide ourselves with real security in the energy sector,” Mr. Paweł Olechnowicz, Chairman of the Board of the Directors of CEEP, declared.

The Roland Berger Report made it clear that to fulfil the energy policy guidelines for 2020, in Central Europe, means investing in production, distribution, and energy efficiency about 400-460 billion euro. “This is a huge investment, the cost of which is not without influence on the price of electricity. We estimate in the range of 40 to 60% for industrial customers in the EU-11. We are all aware that, on a smaller scale, it will affect all residents of the region. We have absolute confidence that the economy and societies of the Central European countries will not accept this,”– underlined Mr. Heiko Ammerman, a partner of Roland Berger Strategic Consultants.

His presentation also warned participants against being too simplistic when describing the methods and ways of solving problems between industry, the energy sector, ecology, and climate protection. It is worth paying attention to the energy consumption of industry in the EU-11, and radical solutions that are sometimes formulated in the EC and EP committees. We have to remember that industry generated, in the ‘new’ member countries of the EU, over 32% of GDP, whilst in the ‘old union’ it generated only 24% of GDP.

Europe - coherence and expectations

>>> CONTINUATION from p.10



GLOBSEC 2013, Official Welcome (from left to right): H.E. Miroslav Lajčák, Deputy Prime Minister and Minister of Foreign and European Affairs of the Slovak Republic; H.E. Radosław Sikorski, Minister of Foreign Affairs of Poland; H.E. Karel Schwarzenberg, First Deputy Prime Minister and Minister of Foreign Affairs of the Czech Republic; H.E. János Martonyi - Minister of Foreign Affairs of Hungary.

Coherence of expectations and possibilities

“Today, we can already observe signs of the recovery from recession of the European economies. It is a good time to look at what fosters and what is blocking recovery – by this we can underline the value and importance of social and economic cohesion across the EU. The most important element of bridging the gaps is dynamic development in industry – only in this way, will we be able to collect the money for the investments and new jobs. It is very important to show and understand differences between the ‘old’ and ‘new’ members of the EU and act with the aim of strengthening the position of the whole EU-27 in the global market” - Mr. Olechnowicz argued. Dr. Friedbert Pfluger, Director for

the European Centre for Energy and Research Security at King’s College, London, went one step further, stating that the report prepared by Roland Berger for CEEP is the ‘real voice’ of Central Europe. The EU should take into consideration actual problems of the Central European member states and incorporate them into its work on climate and energy policy.

The competitiveness of energy sources

Price and availability of energy are the most important factors determining the choice of both the investor and the customer. With the rapidly growing shale gas production in the U.S., the price of that particular fuel is now several times lower than in Europe. As a result, we can not only see economic recovery, but also re-industrialisation – and partly thanks to companies from Europe. A majority of analysts expect that prices in the U.S. will be low over the next decades.

At the same time in Europe, we have some of the highest energy prices. “This effectively inhibits our growth. It is therefore necessary to take bold decisions”, argued Mrs. Beata Stelmach, the Under- Secretary in the Ministry of Foreign Affairs.

“Unconventional hydrocarbons can improve competitiveness in Europe, but also important is the development of all domestic energy sources. Using them effectively, we can focus on sustainable development and energy sector security”, she declared. “It is just as important as the diversification of energy sources: so, this should be a priority for Central Europe, along with the geopolitical stability in the region”, Mr. Ian Brzezinski, from the Atlantic Council emphasised.



GLOBSEC 2013, Keynote Speaker: Zbigniew Brzezinski

“The strong and determined voice of CEEP is an important component of the CE relationships and the on-going transatlantic discussion. Only from the perspective and experience of Central Europe, can we see how important is the stability and sovereignty of Azerbaijan, Georgia, and the Ukraine, and also relations of these countries with Europe, and the future of the energy relationship between Russia and China. Each of these factors has a direct impact on European energy security”, Mr. Brzezinski concluded. 

Witold Nieć

Experienced journalist and editor specialising in energy, chemical sectors and eastern markets.

20TH EUROPEAN ROUND TABLE ON COAL IN THE EUROPEAN PARLIAMENT

A 2030 framework for EU Climate and energy policies

By Michał Foryś (Węglokoks)
and Peter Whiley (CEEP)

The 20th European Round Table on coal was held on the 23rd April at the European Parliament in Brussels. Organised by MEPs, Dr. Christian Ehler and Bogdan Marcinkiewicz, and supported by CEEP and Euracoal, the breakfast meeting highlighted the enduring importance of coal in a world of climate change. Dr. Ehler, in his opening remarks, showed that the cost of energy production in the EU is the highest in the world, so a cheap method of production, such as coal, can still play a key role in the energy-mixes of many countries. He also stressed that EU institutions, particularly the European Parliament (EP), are becoming more realistic. This is how the result of the EP vote on backloading should be perceived. The MEPs realise that the EU's economic competitiveness is going to fall, and that is why they voted against the official positions of the European parties' lines.

Paweł Smoleń, Euracoal's President and Vice-President of the Management Board for Operations, PGE Polska Grupa Energetyczna S.A.,

was the first of two main speakers, and he pointed out that the major balanced energy and climate objectives are: sustainability, security, and competitiveness. The effects of climate actions taken today could only be seen if the rest of the world followed the EU's environmental policies. He accepted that Climate Change was now a fact of life, but he stressed that there was "a place and a need for coal", too, especially when countries, such as Germany, were phasing out nuclear energy.

Calling for investments in clean coal technology, he produced data showing that 27% of the EU's electricity comes, at present, from coal, so it was likely to be a major energy source in the future, and he denounced the idea that coal should be eliminated now as being "economically unjustifiable", as well as a form of "energy suicide" for Europe.

Mr. Smoleń concluded his speech outlining how technology could greatly enhance coal's position and standing in Europe. He also added that the EC still respects the rights of Member States having free choice in their energy-mixes, and that Euracoal widely supports an open

market in which coal can compete.

The day's second speaker, - Filip Grzegorzczuk, Proxy of the Board and Acting Director for Energy Development, Kompania Węglowa S.A., (the firm is a CEEP member) - delivered a presentation about his company, in which he indicated that being a state-owned company and the largest coal producer in Europe brings two major challenges. Firstly, they have to provide coal for an internal market, and secondly, they have to adjust and operate on the open market - successfully meeting the market's constant changes. According to KW's data, global demand for coal won't alter significantly up to 2035, whilst energy consumption in Poland will grow, so coal will remain a leading energy source.

He also revealed that the cost of coal power plant development in millions of Euros per MW makes coal one of the cheapest energy prod-



ucts. Therefore, Kompania Węglowa S.A. is planning to build a highly-efficient coal power plant, with a 45% efficiency rate, which would reduce CO₂ emissions substantially in comparison with existing power plants, Mr. Grzegorzczuk proclaimed. He assumed that this investment would produce returns in about 10 years. He foresaw healthy competition between gas and coal continuing, as long as the CO₂ emissions fee does not exceed the level of 37-40 EUR, whilst stressing that the cost of energy generation from hard coal is less than from gas. So, in his opinion, implementing any significant changes in the Polish energy-mix would barely be possible. 

24TH APRIL, 2013 EUROPEAN PARLIAMENT

ITRE public hearing on 'Gas and coal: Friends or enemies?'

By Peter Whiley (CEEP)
 and Michał Foryś (Węglokoks)

Organised by the European Parliament, in response to a CEEP initiative, opening remarks were given by Amalia Sartori, Chairwoman of the European Parliament Committee on Industry, Research and Energy (ITRE). She stated that the futures of gas and coal depend on how we cope with new opportunities, and how gas and coal set their position to renewables. She also noted that whilst gas prices have remained high in recent years, coal has become cheaper, due to lower prices on the global market, and usage in Europe has risen in the last two years.

This event was notable for having two speakers representing CEEP's member companies, and the first Marcin Lewenstein, Deputy Director of the Strategic Planning Dept., at Polish Oil and Gas Company (PGNiG), a late replacement for Ms. Grażyna Piotrowska-Oliwa, CEO and President of the Board of Management - explained that though gas was a comprehensive fuel, it does not fully implement its advantages as a fuel, due to its price. He expressed



his hope that European decision-makers would accept and support shale gas; work towards a more predictable and realistic ETS system; and back the available research on gas storage.

The second speaker, Marek Jelinek, Executive Director and Chief Financial Officer of New World Resources (NWR), focused on coal, and declared that as 30% of Europe's energy comes

from coal, it does not have to be considered as an enemy for any other fuel, or climate policy. At present, coal is the most cost-effective fuel source, and we "should make the most of it", he argued.

He provided some interesting feedback remarks from the general public, such as "Europe choosing and investing a lot in the most cost-inefficient source of energy - renewables", and "Germany turning from a world of subsidies for renewables to the construction of more than 10 coal-fired power plants". The general publics of several countries had begun to demand subsidies for fossil fuels, and in particular, funding for the development of technology in the gas and coal sectors. He concluded by calling upon the EU to re-define its policies, in order to remain competitive with China, India, and the USA, where energy prices are far lower.

Finally, it is worth emphasising that the meeting was attended by many members of the ITRE committee and external observers. Issues raised during the event aroused lively discussion amongst the participants. 

ANNOUNCEMENTS

2nd Energy Summit '29+1', Vilnius, Lithuania, 9-10th of May, 2013

In the wake of last year's successful event in Budapest, we are proud to announce that '29+1' will soon be upon us once again! The second, of what promises to be an Annual Conference, will take place in Vilnius, Lithuania, on the 9th and 10th of May, 2013. Coming just before Lithuania starts its EU Presidency, it could well be the 'launching pad' for developments and key messages about Central Europe and the role it plays in the EU's world of energy.

Lithuania is taking '29+1' very seriously, and both the Prime Minister, Dr. Algirdas Butkevicius, and the Minister of Energy, Jaroslavas Nevirovicius, hope to attend the summit. The EU's Energy Commissioner, Gunther Oettinger, has once again kindly agreed to come and share views in an exciting exchange of open dialogue, within the unique format of this event. Prof. Dr. Friedbert Pfluger, Director of EUCERS, at King's College, London, has agreed to act as moderator again.

Pawel Olechnowicz, Chairman of the Board of Directors, CEEP, will act as host of the event, which 'kicks off' with a special dinner on the evening of the 9th May, at the Kempinski Hotel, Vilnius. The next day, proceedings will be held at the 100-year-old Merchants' Club, also in Vilnius.

6th Central European Gas Congress', Hotel Sheraton, Bratislava, 13-14th of June, 2013

CEEP will be a Media Partner at this important, annual event which is aimed primarily at gas associations and experts from the 4 Visegrad Group countries – namely, Poland, the Czech Republic, Hungary, and Slovakia.

This year's event will focus on the following themes: European Energy and Regulatory Policies; Gas infrastructure projects in Central Europe; and the use of gas and unconventional gas sources. Held under the auspices of the Slovak Minister of the Economy, Tomas Malatinsky, who will open the Congress with a ceremonial address, the event is being organised by: 'Slovensky plynarensky a naftovy zväz', (Slovak Gas and Oil Association).

Two important anniversaries will be celebrated during the Congress: 100 years from the implementation of the first deep well drilling on the territory of the Slovak Republic; and 40 years from the commissioning of the first underground gas storage facility.

Please book a spot in your calendars for this important gas gathering, and support this uniquely Central European occasion.

For further details, contact: The Slovak Gas and Oil Association, Mlynske nivy 48, 821 09 Bratislava, Slovak Republic.
Tel: 00412 -2- 5341-1853. E-Mail: spnz@sgoa.sk

Or, contact CEEP at: brussels@ceep.be

ANNOUNCEMENTS



'European Economic Congress', Katowice, Poland 13-15th of May, 2013

A major event not to be missed on the 14th May, where CEEP, together with Grupa LOTOS, will be hosting a two-hour session concerned with the role of energy in European competitiveness. The theme's main topic, driven by the CEEP-commissioned report, prepared by Roland Berger Strategic Consultants, Germany, is titled: 'What price energy?' Heiko Ammermann, a Partner at RB, will present the report, examining the key questions of how much the price of energy influences the wider economic situation, and how vulnerable is Central Europe to such changes.

Several invited guests are hoping to take part, including Janusz Piechociński, Vice-Premier and Minister of the Economy, Poland, Minister Popa from Romania, Beata Stelmach, Under-Secretary of State at the Ministry of Foreign Affairs, Poland, and Professor Jerzy Buzek, former Head of the European Parliament. Notable personnel from the following companies will also be involved: RWE, MOL, Hitachi Power Europe, CEZ Group, and Kulczyk Investment Holdings.

So, the session (starting at 11.30 on the 14th May) promises to be an outstanding event in the energy calendar, and we hope very much that you will come to it! It is an event not to be missed!

For further details, contact us at: brussels@ceep.be

'Energy Security In Central Europe' - Conference, 4th of June, 2013, European Parliament, Brussels, 9.00-10.30



Following on from our busy May schedule, we have a topical and intriguing event taking place in the European Parliament in June, yet another session pushing the needs of Central Europe to the fore. Co-organised by two MEPs, Konrad Szymanski and Herbert Reul, along with CEEP, the conference will examine how European Energy Policy and its challenges will determine Central Europe's energy security. The inspiration behind the event is the CEEP-commissioned Prague Report, which was prepared by Ernst & Young.

Janusz Luks, CEO of CEEP, will introduce the session, following opening remarks from the two MEPs. Piotr Piela, a Partner at Ernst & Young, will then outline the main outcomes from the Prague Report. In a follow-up to the Report's summary, Gunther Verheugen, former Vice-President of the European Commission, will provocatively ask: 'Is Central Europe really a fifth wheel for the EU coach?'

Economic implications of the EU's energy and climate policies will then be the focus for Traycho Traykov, the former Minister of the Economy, Energy and Tourism for Bulgaria. The session's last speaker will be Mr. Filip Grzegorzczuk, Proxy of the Board, Acting Director for Energy Development, from Kompania Węglowa S.A. - the biggest coal producer in Europe.

After questions and answers from the audience, and summary remarks from the two MEPs, this event will come to a close. If you require further details, contact us at: brussels@ceep.be

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