



CEEP
Central Europe Energy Partners

REPORT

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EU-TURKEY: Belek Summit ('20+20+1')



Paweł Olechnowicz

By Paweł Olechnowicz

The question of energy is becoming one of the most vital issues in today's world. This is a complex matter as Europe, and especially Central Europe, face many challenges, as far as energy

security is concerned, ranging from a difficult energy situation in Bulgaria, through to the affordable price of energy in the other Central European countries. Developing a long term, European energy policy, which takes into consideration, among others, energy security as well as climate aspects, is not an easy task. EU internal and external factors, including geopolitics, have to be carefully balanced within it. All this, we need to achieve against the background of the on-going, difficult economic and financial situation of Europe as a whole.

A sustainable EU energy policy has to achieve three main goals at the same time: it has to enhance competitiveness, sustainable development, and the security of supply. While energy security concerns may vary from country to country, there exists a strong common interest to make sure that Europe can obtain energy at reasonable costs, consume it in a sustainable way, and manage it in a collective

manner. To achieve this, the enhancement of energy security will require a far-sighted and co-operative approach internationally, as well as a variety of specific initiatives and interventions at the regional and national level.

That is why Central Europe Energy Partners (CEEP), with the co-operation of Pflueger International, BDEW Bundesverband der Energie-und Wasserwirtschaft e.V., and Özaltin Holding, brought together representatives of leading EU and Turkish energy sector companies, at the first EU-Turkish Energy Industry Round Table. The event took place in Belek, Turkey, with the participation of the EU Energy Commissioner, Mr. Guenther Oettinger, under the '20 + 20 + 1' format.

All participants at the meeting had an opportunity to broadly discuss and present their views and opinions on the current and long-term prospects of EU-Turkish energy industry co-operation, within the framework of the EU's

EU-Turkey: Belek Summit ('20+20+1')

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energy and energy security policy, neighbourhood policy, and the forthcoming creation of the internal EU energy market.

Open and frank exchanges, fostered by Chatham House Rules, and further enhanced by the keen engagement of the EU Energy Commissioner, clearly contributed to the success of the conference, and have led us to believe that a summary of the following findings from the debate, indicating the common positions of its participants, should be made available to European policy-makers and energy industry leaders:

1. Expanded co-operation between EU and Turkish energy sector companies is fully compatible with and beneficial to the EU energy and energy security policy, neighbourhood policy and the forthcoming creation of the EU internal energy market.

2. The geopolitical positioning of Turkey makes it a natural energy hub and conduit for energy resources being transferred to Europe from the East and South, in the immediate and strategic sense. Similar to Europe, Turkey is a net importer of energy. Its neighbours are energy-rich and have a strong desire to diversify the directions of their exports. All of the above creates great potential and prospects for



On the 4th October, 2013, in Belek, Turkey, the first EU-Turkish Energy Industry Round Table took place with the participation of the EU Energy Commissioner, Mr. Guenther Oettinger, under the '20 + 20 + 1' format.

joint-investment projects and business cases with 'three-way' winning scenarios. Both EU and Turkish energy companies, however, find it difficult to co-operate with the required and possible effectiveness, in the face of Turkey's faltering EU accession process.

3. The EU-Turkey negotiations, especially the opening of the Energy Chapter, should be given priority and new impetus. The enhancement of

the EU's external policy in Central Asia, in support of the EU's energy policy, should also attain top priority. The EU should foster greater co-operation and a deepening strategic energy partnership with Turkey, within the context of the Southern Energy Corridor, its connectivity to other European energy backbone routes (e.g. North-South Energy Corridor) and beyond.

4. The European dialogue with Turkey is necessary, in order to find prompt and effective ways to encourage long-term industrial co-operation. From the perspective of the EU energy sector, it is important to acknowledge that co-operation with Turkey supports such fundamental principles of EU energy policy, as: diversification and security of supply, energy sustainability and affordability, maintaining European industry competitiveness, a fully integrated and liberalised EU energy market, and the social impact of energy. Turkey has already played, and has further potential to play, an important role in supporting the goals of the EU's Eastern Partnership policy (Georgia, Ukraine, Moldova), through energy sector projects.

Strong interest in participation in the Summit came as a much welcome development for the organisers. Therefore, it is planned to make the 'EU-Turkey Summit' an annual event, bringing together representatives of key EU and Turkish energy sector companies. ○

Paweł Olechnowicz,
Chairman of the Board of Directors of CEEP

CEEP and BDEW Conference in Belek

By Arash Duero

After organising the ‘29+1’ Conference in Vilnius with EU Energy Commissioner, Günther Oettinger, CEEP, along with the German Association of Energy and Water Industries (BDEW) succeeded in inviting the Commissioner to another similar event. This time, the Roundtable ‘20+20+1’ took place on the 3rd and 4th of October, 2013, in Belek, Turkey. It included twenty leading energy managers and entrepreneurs from the EU, twenty from the host country, plus Commissioner Oettinger in ‘the hotseat’. The Roundtable was once again chaired by Prof. Friedbert Pflüger, the Director of the European Centre for Energy and Resource Security at King’s College, London.

The Commissioner listened for over four hours to the ideas and concerns of representatives from the business community, and addressed pertinent issues raised by them from the EU Commission’s perspective. Here, the interest primarily focused on Turkey’s growing role as an energy hub for Europe. For over half a decade, Turkey has been an important transit country for oil supplies through its Baku-Tbilisi-Ceyhan pipeline. The Shah Deniz Consortium’s recent decision to transport natural gas from the Caspian region to Europe, via the Trans Adriatic Pipeline (TAP), starting in 2018, will contribute to the diversification of European gas supplies and further enhance Turkey’s role as an energy hub in the coming years. Now, the country’s rapidly-growing economy

is awaiting additional EU investments in the solar, wind, hydro-power and biomass sectors. Moreover, energy efficiency needs to be improved. Coal also stands to play a more important role in Turkey’s future energy-mix, which will likely require the construction of new and more efficient coal-fired power stations, or the modernisation of the existing fleet. All of this opens up



excellent prospects for European energy companies to invest in the region.

However, Turkish participants noted that there is a growing disillusionment with the EU, while Russia, on the other hand, has consistently tried to improve relations and win over Turkey as a partner and friend. This is illustrated by the fact that Turkish citizens travelling to Russia today no longer need to apply for a visa, thus making it much easier for Turkish entrepreneurs to

travel to Moscow, rather than to Berlin or Warsaw. Turkish participants, therefore, encouraged attendees from the EU to lobby for new progress benchmarks in the accession negotiations, and help counter the scepticism in France and Germany, in order to improve relations. Commissioner Oettinger also clearly supported calls to bring fresh impetus to the ongoing negotiations.

Ultimately, regardless of Turkey’s accession status, all participants agreed on the need to deepen co-operation, including in other markets such as the Caspian region, Central Asia, Iraqi-Kurdistan, or perhaps, one day, even in Iran.

The vast gas fields in the Eastern Mediterranean were also an important topic of the overall discussion. The gas reserves could potentially help bring prosperity and peace to the region - a ‘win-win’ situation for all parties involved - or rekindle old conflicts. Here, too, participants agreed that EU Member States needed to be more involved. Finally, in light of the considerable

gas finds in the Mediterranean, CEEP’s Chairman of the Board of Directors, Pawel Olechnowicz, noted the excellent opportunities in Turkey for Central European States and called for the opening of a South-North energy corridor between Turkey and Central Europe. 

Arash Duero,
 Consultant Energy, Pflüger International Consulting GmbH

CEEP welcomes its new member: 'IMPEXMETAL' from the Boryszew Group

Impexmetal from Boryszew Capital Group has just become the 20th member of Central Europe Energy Partners (CEEP). It is one of the biggest Polish holdings in the production-trade sector. The Impexmetal Group units work in the fields of aluminium, copper, zinc, lead and bearings.

“Impexmetal Capital Group joining of CEEP substantially strengthens both our status and our activity – both by the scale and scope of conducted activity, as well as its international character”, declared Janusz Luks, CEEP’s CEO.

Impexmetal is a listed company with over 50 years of tradition in international trade with non-ferrous metals, their semi-finished goods and bearings. Since 1997, Impexmetal stocks have been listed on the Warsaw Stock Exchange, and in 2005, the company joined the Boryszew Capital Group.

IMPEXMETAL S.A. is the owner or the major shareholder



in 12 companies, including 6 manufacturing facilities. The main entities of the holding are Huta Aluminium Konin, and the companies - Hutmen S.A., Baterpol S.A., and FLT Łożyska. Impexmetal Group has been listed in the top 500 biggest companies in Central and Eastern European rankings prepared by ‘Rzeczpospolita’ newspaper in co-operation with Deloitte consulting company. The rankings took into consideration 955 companies from 19 countries.

Major parts of the production costs are the cost of energy, as well as the energy medium of natural gas, which not only has heating character, but also serves as a raw material. A matter of great importance is the emission of greenhouse gases and the undertaking of initiatives by the EU for the 2030 and 2050 time horizons. The issue of EU competitiveness is the foundation of industrial development. Hence, the interest of Impexmetal in active participation within CEEP. 

UPCOMING EVENTS



POLISH CONGRESS OF RENEWABLE ENERGY – THE ENERGY OF TOMORROW

CEEP invites you to take part in the forthcoming ‘Polish Congress of Renewable Energy – the Energy of Tomorrow’ Conference. This event, which CEEP is supporting as a Media Partner, will bring together valued participants from the worlds of industry, politics, investment – both local and foreign investors, academia, research organisations, business, and all other organisations with an interest in photovoltaics, wind energy, water, biomass, and biogas.

The ‘Polish Congress of Renewable Energy – the Energy of Tomorrow’ aims to present the latest forecasts and economic data, as well as legal and practical aspects of investing in renewable energy sources in Poland, with a special focus on integration of the communities interested in renewable sources of energy. The Congress is a cyclical event, consisting of ten conferences held in major cities in Poland, for instance, the nearest one on the 29th of October in Olsztyn, and after that in Białystok, Kielce, Poznań, Katowice, Gdańsk, Lublin, and Płock.

For all CEEP member companies, the organisers have offered a special price: 549 zł + 23% VAT .

If you are interested in participating in any of the above events, please see the website: <http://www.energijutra.eu/en/> where you will find more information, as well as the registration form.

Industry and Climate Change: Seeking a balance



Małgorzata Iwanejko

By Małgorzata Iwanejko

The Polish power industry tries to reconcile two extreme, different ideas influencing the development in this key sector. Historical con-

ditions predetermined that we would use the easily available and still presently-used sources of energy, such as hard or brown coal. It leads to obvious clash with the expectations of European Union officials. Unfortunately, our infrastructure originated from such a period, when climate changes were of interest to only a few scientists, and it was not prepared to meet the very rigorous standards relating to the control of emissions. This is a problem, not only for energy producers, but also for all sectors of the economy, for which effectiveness and profitability in subject to energy payments' totals.

Of course, it is difficult not to agree with the arguments of ecologists when it comes to the industry's influence on the natural environment. Nevertheless, when implementing successive EU directives, it is important to bear in mind the sustainable development of all economic sectors. It is difficult to imagine a Europe without production plants, basing its development only on services – even if highly innovative. Unfortunately, the current energy policy of the European Union leads - I hope unintentionally

- to industry relocating beyond its borders. I am thinking particularly about metal processing - iron and non-ferrous - which depends on energy prices, and with such a restrictive union policy, loses its competitiveness. The present, difficult situation of the Euro area and all member countries does not prompt any change of the problems.

It is vital to balance the care of the environment by well-prepared and fair analyses of the influence of environmental directives on the economies of the particular European Union countries, taking into account their specific characteristics, and appropriate measures.

Relating all this directly to Poland and the Polish industry, it is hard, unequivocally, to mention at least one area, which happens to be more competitive, and has gained more important economic status in consequence of the EU's climate policy. For sure, we are losing the opportunity of being competitive in heavy industry. Of course, we cannot only blame the Union's legislation for this situation. We have not been able to efficiently use the Union's allowances, such as: exemption from excise tax

of end users of the energy-consuming technologies, which are not interchangeable, e.g. electrolysis.

Energy prices should include, not only the real costs of their production, but also the opportunity of industry depending on such factors. Increasing the energy costs for production plants is always burdened with unintended social costs. To maintain their competitiveness, expenditures in other areas should be decreased. Very often, the only solution is to decrease labour costs, and, of course, this brings about a drastic reduction in the incomes and lifestyles of people employed in the enterprise. Are such costs worth bearing?

Nevertheless, changes in the Polish energy landscape can be seen very easily – the newly-arising wind farms and photovoltaic panels have become part of this landscape. A lively discussion over use of the energy from nuclear fission is in progress. The way we distribute and sell energy has also changed under the influence of the Union's policy. Quick consolidation of this sector in Poland, the opening of the stock exchange, releasing energy prices

Industry and Climate Change: Seeking a balance

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and demand – these are all steps in the right direction.

We try really hard to fulfill successive directives, and we invest in progressive, modern solutions, in order to help us meet the increasingly restrictive requirements, whilst improving, at the same time, our processing potential. We try all the time to find the answer to the fundamental question – is the Kyoto convention and its further implementation, a form of utopia? As I observe the activity of our partners beyond the European Union – I am thinking mainly of the USA and the most dynamic developing global countries like China and India, which are now responsible for approximately 33% of the global emissions of CO₂ – (the same amount as 34 OECD countries), it is hard to countenance that a global agreement on a reduction of

CO₂ emissions would be both realistic and an unfulfilled dream.

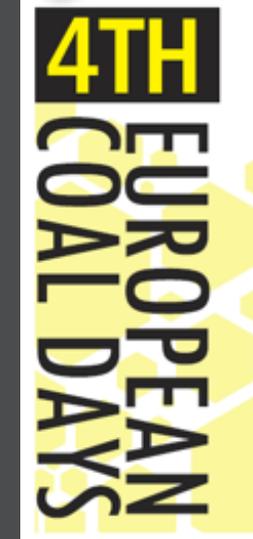
Perhaps our (EU members) task is to show the world the way out of, what scientists consider to be, an inevitable climate catastrophe.

The question still to be answered is this: in what ways are manufacturing products indispensable for civilisation? I could not find the answer in the vast array of implementation directives. So, I return to my previously-stated opinion that the solution for reaching such laudable climate targets lies in a balance of activities, industrial and pro-environmental. 

Małgorzata Iwanejko,
President of the Management Board,
General Director, Impexmetal Group

UPCOMING EVENTS

4th European Coal Days 12th-14th of November, 2013



CEEP is co-organising with Mr. Bogdan Marcinkiewicz, MEP, and Dr. Christian Ehler, MEP, the 4th annual European Coal Days - 'COAL IN ACTION'. We would like to invite you to take part in this important event which will be held from the 12th to the 14th of November, 2013, in the European Parliament in Brussels.

CEEP will host the event's official opening with a working breakfast on the 12th November at 8.00 am. The welcoming speeches and introductions will be conducted by Mr Bogdan Marcinkiewicz and Mr Janusz Luks, CEO of Central Europe Energy Partners (CEEP).

Mr Jarosław Zagórowski, President of the Jastrzębska Spółka Węglowa S.A., and a CEEP member, will present his perspective on 'The future of coal in the European Union's energy policy'.

Your participation at the event can be registered by using this online form:

<https://docs.google.com/spreadsheets/viewform?fromEmail=true&formkey=dFcxSW5LQlInC3dLZVRNaHZpYjgzRWw6MA>

MR. HERBERT REUL, MEP INTERVIEWED FOR CEEP REPORT BY MAREK ORZECZOWSKI

Burden for our industry

(MO): Mr Reul, after the European Parliament revised its decision in favour of backloading, you said that Europe made itself look ridiculous. Why did you think that?

Herbert REUL (HR): I think that such a major turn did not help the EP. The circumstances between the two votes had not changed at all, so it was quite embarrassing when a second vote, on exactly the same issue, suddenly turned out differently. This did not help the political credibility and the perceived reliability of the EP in the outside world.

(MO): Was this decision pointless?

(HR): From my point of view, it was indeed. We know that markets use all available signals to fix the price. All experts say that backloading will only change the price marginally, because the certificates are going to be re-introduced at a later stage. At the same time, we know that the ETS has problems, in relation to other climate and energy-policies. Instead of wasting our time with backloading, we could have started earlier with real reforms of the entire climate and energy framework.

(MO): How harmful are EU climate policies, such as backloading, for the European economy and its competitiveness?

(HR): I think the overarching general focus on climate change mitigation policies has become a substantial burden for our industry and economy as a whole. Energy prices in Europe are already very high, which is a burden, especially for the energy-intensive industries. Meanwhile, US energy prices have been falling as a result of the shale gas boom, whilst we are still waiting for a global agreement on climate change. We cannot afford to ignore such developments. We need to reallocate our priorities!

(MO): Why do so many Members of the EU Parliament not understand the differences between the EU-15 and the new Member States, with their contrasting set of energy problems?

(HR): That question is indeed interesting. You have to be able to afford being green, which is why green politics are a phenomenon hardly visible in the newer and still less-affluent Member States. There are only two Green MEPs from Central and Eastern Europe, one from Estonia, the other from Latvia. Both are active in other policy fields, not in energy or climate policy. So, on these issues there is no 'voice' of the newer Member States in the Green group in the EP, nor are they particularly present in the relevant NGOs that influence their decision-making. The Greens, and often the green-minded colleagues in other parties, make poli-



Herbert Reul

cies for those who can afford to be green, and ignore the economic necessities of the rest. I believe this is irresponsible and does not help Europe.

(MO): German industry is now calling for a reform of the 'Energiewende'. Is this kind of energy policy in the best interests for the rest of Europe?

(HR): I have been critical towards the 'Energiewende' from the beginning, because it did not take the opinions of our European partners into account. After more than two years, we can see the problems such a hasty decision brings. Energy prices are rising, gas power plants are operating at a loss, and we have more intermittent renewables than we can handle, thanks to the missing grids. Reform is indispensable, and I clearly see other policies that would be more in the overall European interest.

(MO): What decisions need to be taken to complete the EU's internal energy market?

(HR): I absolutely believe in the necessity and usefulness of the internal energy market. I think the most important step would be a fierce commitment of the Member States towards the decisions they have taken in the past. Should Member States consequently enforce and implement all internal energy market legislation, we would be a step closer. ☺

Herbert Reul,

German politician and Member of the European Parliament for North Rhine-Westphalia. He is a member of the conservative Christian Democratic Union, part of the European People's Party.

DEAR READERS,

We are opening a debate on the extremely important subject: Should we change the ETS? and looking forward to your ideas and suggestion. Here the views presented by the CEZ Group from Czech Republic.

'Flexible Cap-and Trade': a solution that fits



Pavel Cyrani

By Pavel Cyrani

After 8 years, the European-wide emissions trading scheme is close to collapse. Some people say that the current crisis is to be blamed for this. Others claim the system was faulty from the very beginning and that other instruments should have been introduced. There are even those calling for the termination of the system, as it fails to meet its main role: being a cost efficient trigger

and driver of the EU economy transition to the low carbon one. So who is right here?

Definitely, the EU ETS as a market-based mechanism is, in theory, and should also be in practice, a most effective option. The liquidity and dynamics of the carbon market proved this. Moreover, major stakeholders across Europe decided to follow price signals and undertook significant low carbon investments. As for its environmental impact, the European Commission as a regulatory body highlighted the emission

compliance with the 2020 trajectory. However, the Commission recently also admitted the malfunctioning of the ETS, and opened a debate over the need to fix the system.

Of course, as the largest power generator in Central and Eastern Europe, and also as the early mover in terms of investment, we cannot afford to stand aside. Thus, we at CEZ, submitted our position papers to all relevant consultants. However, we did more than that: just recently, we presented our idea of how to fix the ETS system, so that it works properly both in the short and longterm. Our concept is called 'flexible cap-and-trade'. Flexible - because it can adjust the originally fixed supply of allowances to the fluctuating demand determined by economic development. In practice, this means that the quantity of allowances coming to the market would consist of the actual electricity generation multiplied by the pre-defined intensity, plus actual industrial production multiplied by the pre-defined intensity of industrial production.

Of course, such a defined system would have to be accompanied by a flexible reserve that would accumulate surplus allowances during economic downturn and release them during the economic boom. It perfectly complies with the ETS, as it relates only to the auctioning volume change as required by the Commission. Another advantage is its compliance with other European energy policies, such as energy

efficiency. Last, but not least, it is actually very easy to introduce as it does not require any complicated institutional changes or capacity building.

So, where is the magic? Simply put, it lies in a shift from absolute emission cap to the pre-defined carbon intensity of the production itself. Already today, the carbon intensity is implicitly included. The novelty is that an explicit intensity target would give investors a transparent anchor, not dependent on the unpredictable economic environment. This would certainly help them to plan their longterm investment strategies. What struck us is the fact that this concept had already been discussed in the US some 10 years ago!

Everybody now has to consider what is at stake. Current revision of the ETS system is one of the last chances we have to keep the idea of the internal market alive. Otherwise, we can expect a boom of nationally driven approaches making the EU economy less efficient, as well as less competitive. I personally believe that this is the right way forward. I hope that this, or a similar system, will be sooner or later – hopefully, rather sooner – introduced, so that we can develop our businesses further. 

Pavel Cyrani,
Chief Strategy Officer, at the CEZ Group, Czech Republic

Bulgaria's Energy Security Index Shows Energy Efficiency and Diversification of Supply as Critical to Reducing Energy Poverty



Ruslan Stefanov



Martin Tsanov

By Martin Tsanov, Ruslan Stefanov

The International Energy Security Risk Index (IESRI), developed in 2012 by the Institute for 21st Century Energy at the American Chamber of Commerce shows that since 1980, Bulgaria has had one of the highest energy security risk scores, both nominally and compared to the OECD averages. Bulgaria's scores over the period averaged about 160% higher than the average values for OECD countries. Reasons for the relatively high level of energy security risk in Bulgaria are deep-seated, and while some of them are based on the intrinsic and inherited inefficiencies of the Bulgarian economy, and its energy sector in particular, others could be seen as the direct results of below-par policymaking in the area.

An inevitable factor is the fact that like many other European countries, Bulgaria has no indigenous energy resources other than coal. That is why Bulgaria's import risks for everything, except coal, have been exponentially higher than the OECD average for most of the period since 1992. As a result, the country's expenditures on fossil fuel imports as a share of GDP, although improving, have over the years remained much higher than the OECD average. Bulgaria is extremely vulnerable to adverse, external price shocks, given its low energy efficiency and lack of energy supply alternatives, in particular, gas. On the positive side, Bulgaria is one of the few countries with electricity capacity diversity scores better than the OECD average (Bulgaria has developed all options but gas).

Bulgaria's Energy Security Index Shows Energy Efficiency and Diversification of Supply as Critical to Reducing Energy Poverty

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A result of both policymaking failures and the inherited inefficiencies of the communist era energy sector, coupled with exponential rates of building and transport park depreciation, Bulgaria is faced with abnormally high energy security risks on all energy intensity dimensions. In that regard, the highest demonstrated risks to Bulgaria's energy security are energy prices and market volatility metrics. This is reflective of the country's high levels of energy poverty and the disproportionate rise in energy expenditures compared with the growth rate of national wealth accumulation. Since 2000, the average household in Bulgaria has remained 'energy poor', spending more than 10% of its income on energy.

Energy poverty comes as the most serious energy security risk for the country with pervasive political and economic implications. Rising electricity prices, coupled with the loss of purchasing power during the ongoing economic crisis, led to widespread social discontent in 2012 and the turn of the year,

which ultimately toppled the Bulgarian government in February, 2013. This also resulted in the reversal of EU inspired electricity market reforms for more transparency for final users, and more independence for the energy regulator, as Bulgarian politicians have stepped in to guarantee the freezing, and even the cutting of electricity prices, and the bashing of the regulator. The negative effects from such market defying actions are likely to be farreaching and will increase Bulgarian energy security risks in the longterm, trumping shortterm gains in energy security from lower energy poverty risks.

The current depression and, in effect, subsidisation of electricity prices for households, will probably have some negative effects on the sector. It will lead to de-capitalisation of enterprises along the value chain, with state-owned enterprises being the most likely ultimate victims, should the government not find an agreeable way to re-negotiate green energy prices and long-term generation contracts. Price distortions

will keep households hostage to electricity consumption, destroying further the prospects of gas consumption and central heating. In those terms, , gas supply diversification and disruption risks are closely related to energy poverty and electricity prices, as this is the most viable option for the Bulgarian economy to receive the cheapest energy alternatives after coal and wood, which have been massively used in Bulgarian rural households.

However, although gas supply and diversification risks stand as one of the most pressing challenges to the country's energy security, Bulgaria's progress in improving the security of gas supply has been limited in recent years. Despite the fact that Bulgaria is involved in various national, smaller regional, and large international projects, which could contribute to higher energy security, it cannot be realistically expected that the country can realise all of its gas projects due to their challenging economics. That is why the prioritisation of projects is crucial

and regional integration stands as the most beneficial option of all. However, progress in this area has been slow.

Despite EU funding support, it took Bulgaria more than three years after the January 2009 crisis, to launch the construction of the first neighbouring-country gas interconnector (Bulgaria-Romania). Bulgaria, in fact, faces EU court action for failing to open its transit pipeline for reverse flows. Such failings show that successful implementation of energy policies in the region faces various political challenges, over and above financial and economic concerns. ○

Martin Tsanov,

Senior Analyst. Mr. Tsanov writes on energy security and gas diversification models

Ruslan Stefanov,

Director, Economic Programme. Mr. Stefanov works on the economics of energy security and good governance in Bulgaria and in South-East Europe.

PHOTOVOLTAICS – A CHANCE FOR PEOPLE AND HELP FOR THE PLANET

Why huge power plants?



Peter Whiley

By Peter Whiley

Photovoltaics is an innovatory and ecological way to produce electric energy, which comes from an inexhaustible source – the Sun. This method is safe for the environment, effective, and nowadays, it is really required, as it does not produce harmful substances for the atmosphere.

Electric energy is produced in solar power plants, which are also called farms, and are constructed on lands of low agricultural productivity, with the owners earning money on them.

The PV farms do not produce any noise and do not interfere with the environment.

The energy is acquired by photovoltaic panels, which are installed in solar power plants. Huge power plants produce large amounts of electric energy. The PV solution assures energy both for private and business consumers – and also to the biggest ones.

The only reason that Photovoltaics in Poland is not being developed at the expected pace is due to the lack of proper regulations. Constructing huge power plants will impact on the Polish economy's development, but such actions seem to interest for-



Maryland Solar Power Plant, USA, Nominal Power: 29 MWp, Source: Belectric

Why huge power plants?

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eign investors, who would like to establish their factories in Poland. This solution could lower the prices of PV panels, along with other goods necessary to construct solar power plants, new job opportunities would appear, Poland would strengthen its economic importance and its growth will be enhanced.

Ground-mounted solar power plants are easy to install and maintain. These power plants perform better when cooled, the lifespan of modules is extended, and their productivity improves. Snow during the winter time is not a problem either.

Another advantage of the huge, ground-mounted, solar power plants is the positive impact on extending the electro grid system. The investors of huge power plants could be obliged to participate in rebuilding main transmission points in order to secure grid stabilisation.

Germany is a good example of this, despite the construction of huge power plants not being widely promoted. In 2013, a power plant of 130MW was opened near Berlin's airport, whilst another over 100MW will be put on stream next year in Lipsk. Further examples can be found in: Australia, Japan, the USA and India.

We need to remember that it is crucial to invest in huge PV power plants. We cannot count on small entrepreneurs and keep energy in the hands of small businesses; this industry is extremely significant to our economy.

Another problem is the lack of an industry which could produce PV components. Why can't we invite foreign investors into our markets? If we develop the PV industry in co-operation with foreign producers, and when Poland becomes a part of global photovoltaics, it will help to: gain new technologies, run scientific research, and increase employment. If we do not focus on developing the PV industry, our money will 'flow' abroad, because the components will be produced there. One example of this is the Czech Republic, where PV power plants were built by using Chinese components. If we make the same mistakes, what position will we be in within the next 10 years?

The establishment of factories in Poland, with the co-operation of foreign PV concerns, means that we are open for a foreign market. We should support the construction of PV power plants in Poland, and at the same time, we can provide components from foreign markets. Companies with global operations 'are knocking at our doors' – unfortunately, with no effect. That is why we should let them invest in our market, because if we do not co-operate with them, they will find another attractive market in another part of Europe, and we will gain no profit, whilst the Polish economy and energy sector will remain in strong need of development. ☺

Peter Whiley,

*Specialist in the International Relations Department
of Grupa LOTOS S.A., Poland*

UPCOMING EVENTS



The 2nd International VDI-Conference: 'Alloys in Power Plant Technology', will be held between the 26th and the 27th of November, 2013, in Berlin.

The main topics of the conference are:

- New technologies and related materials in power plant technology
- Requirements and material properties of high temperature stressed components
- Solutions and best practice examples for T24
- Materials in boiler, pipes and steam turbines
- Effective monitoring methods and life cycle extension
- New coatings for gas turbines

Conference chair will be Prof. Dr-Ing. Karl Maile of the Material Testing Institute (MPA) at the University of Stuttgart. Presentations are expect-

ed from leading European operators, plant manufacturers, suppliers and research institutes, such as: Alstom Boiler, Böhler Welding, Centrum výzkumu Rež s.r.o., Doosan Babcock, E.ON, Newly Build & Technology Großkraftwerk Mannheim AG, Hitachi Ltd, PCC Energy Group, RWE Technology, Siemens, VTT... and many more.

For all CEEP representatives, there is a special price registration fee which costs 1,340 Euros.

To make your booking, please contact International Business Development Manager, Anna Lüning, at luning@vdi.de, tel: 49 211 6214-609.

You can find more information in the attachment, or on the following website: <http://www.vdi-international.com/alloys>

POSITION OF CENTRAL EUROPE ENERGY PARTNERS, AISBL (TRANSPARENCY REGISTER NUMBER: 87738563745-94)
CONCERNING THE EUROPEAN BANK'S FOR RECONSTRUCTION AND DEVELOPMENT CONSULTATION DOCUMENT TITLED

"Draft of the energy sector strategy"

SEPTEMBER 30TH, 2013

1. GENERAL REMARKS

Central Europe Energy Partners (CEEP), welcomes the initiative of the European Bank for Reconstruction and Development (EBRD), and its readiness to consult publically on the review of its lending policy in the energy sector for the next four years, from 2014-2018, bearing in mind the profound changes in the EU economy.

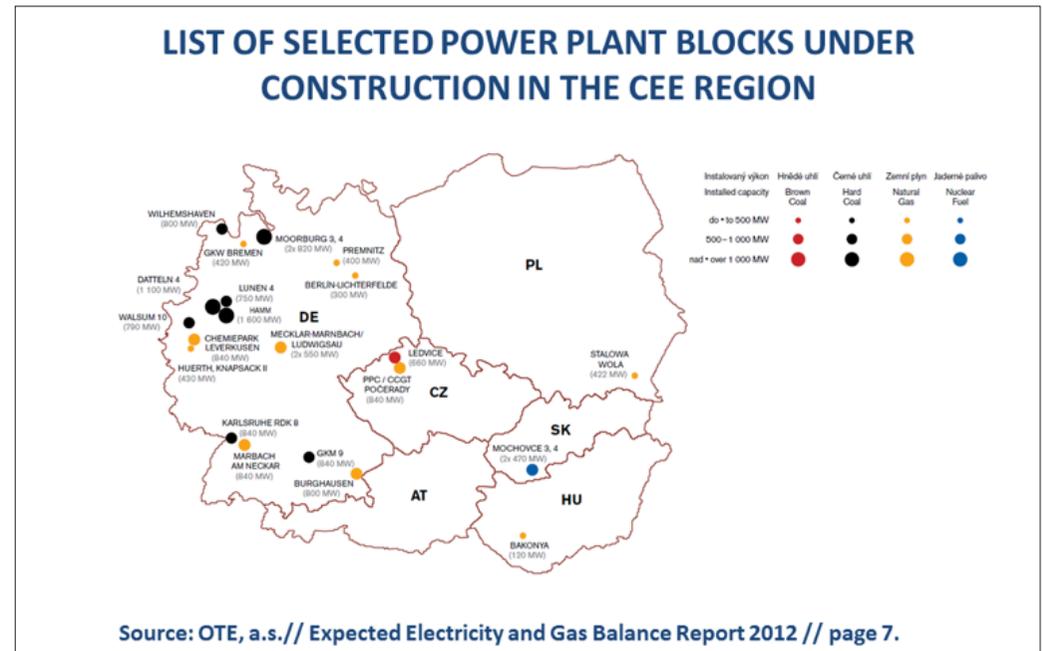
The main challenge for the economies of countries where the European Bank for Reconstruction and Development operates, is to overcome the crisis situation with all its hazards, and avoid negative consequences, such as economic slowdown, shrinking investments, unemployment, a loss of competitiveness, as well as climate change.

The strategy is composed in such a way that it may satisfy the members of the EBRD, but it is now difficult to say what the future loan decisions of the EBRD will be in practice; for example, we have been informed that a Romanian application for a coal power plant was rejected. From the other side, in your document you back such power plants which are based

on BAT, and as we understand it, a power plant with an efficiency of 45% for hard coal and 35.5% for lignite should be absolutely supported based on your policy.

2. STATE OWNED COMPANIES

Studying your document one could come to the conclusion that any state-owned companies are excluded from your financial schemes and only privately-owned companies can apply for your funding. Such an approach is not acceptable from our point of view because under the EU regulations each company has to fulfil free market requirements, no matter who is the owner of the company. Another fact is that many energy companies are under the surveillance of particular governments due to their energy policies. For example, you are supporting renewables which is good, but how can you transmit generated electricity to the national grid, if you do not want to help in financing state-owned companies to which such grids belong? The same concerns gas interconnectors and crude oil. Our suggestion is to consider each investment from the point of view of its economic value and not political differentiation, state-owned or private.



3. AFFORDABLE ENERGY

Your policy does not underline sufficiently the need for affordable energy, bearing in mind

that geopolitics in energy supply has changed tremendously. In Europe, in the EU, and outside, the cheapest energy is coal energy, but you suggest putting the stress on gas energy,

“Draft of the energy sector strategy”

>>> CONTINUATION from p.13

not taking into account the following factors:

3.1. Coal-powered plants

They are needed for the stabilisation of electrical energy supply and RES, and as we see, many countries cannot, in reality, replace such energy, but only up to 25-30% of the total requirements of electricity;

3.2. Gas-powered plants

They have to use very expensive gas. The average in Europe ranges from \$300-450 per 1000 m³. Gas can compete with coal in today's conditions when the price of gas is around \$240-250 per 1000 m³. It should be the decision of the investors as to what kind of power plants they want to build, and justified by feasibility studies. Moreover, one should be aware of very cheap gas prices in the USA around 100 dollars per one thousand cubic metres. In the coming years, there is no chance that Europe and the World will have similar price levels. To save European and World competitiveness, we have to base our energy on the cheapest source – namely, coal. If you observe the German policy towards coal, you may notice that Germans already feel the importance of this fuel. Below, please find a list of selected power plant blocks under construction in the CE region (see the graph. on p. 14).

3.3. The EU view:

“EU nations will be left far behind the US unless they address high energy costs that are worsening the continent's industrial decline” (EU Enterprise and Industry Commissioner, Antonio Tajani, 25/9/2013).

4. CCS&CCU

A very close issue connected with coal is always raised – CCS readiness. Up to now, there is no one commercial point of sequestration of CO₂ in Europe and the World, and what Americans or Norwegians call sequestration, is in fact, utilisation of CO₂ for enhancing of crude oil extraction, and this possibility constitutes a fraction of a percentage of total yearly CO₂ emissions. We don't want to say that we are against the concept of CCS, but we would like to suggest that more support should be switched to CCU, which your policy should reflect.

5. BIOFUELS

A very important part of fuels connected with RES are biofuels and we suggest inserting into your policy, biofuels production, especially double and quadruple-counting, to be in line with EU policy.

6. OPERATIONAL PERFORMANCE INDICATORS (5.11.3):

6.1. Private Participation – As we have argued above, this indicator should not be taken into consideration, at least in the EU and associated countries, such as Norway, where 67% of crude oil industry is state-owned.

6.2. Carbon Intensity – This is misleading because countries with high GDP and very high emissions of CO₂ will be in a better position than countries with low GDP, and low CO₂ emissions. For your consideration, please note the table below with CO₂ emissions per capita in some of the ERBD countries (2011):

Source: Joint Research Centre (JRC)

Belgium	9,81	Malta	3,95	Latvia	3,71
Denmark	8,15	Netherlands	9,80	Lithuania	4,69
Germany	9,90	Austria	8,58	Hungary	5,71
Ireland	9,48	Portugal	4,71	Poland	9,10
Greece	8,14	Finland	10,27	Romania	4,50
Spain	6,40	Sweden	4,86	Slovenia	9,03
France	5,70	U.K.	7,50	Slovakia	7,48
Italy	6,70	Bulgaria	7,28	Croatia	6,31
Cyprus	7,09	Czech Rep.	11,65	EU average	7,5
Luxembourg	19,24	Estonia	13,72		
USA	17,3	Japan	9,8	Russian Federation	12,8
Canada	16,2	Turkey	3,8	Australia	19,0

6.3. Proposal - We propose complementing the indicators listed in Section 5.11.3, with two additional indicators: 1) GDP per capita, 2) CO₂ emissions per capita.

7. Conclusion

Global economic problems require co-operative and co-ordinated action undertaken by companies, banks, institutions, and governments. Central Europe Energy Partners strongly looks forward to the policy of the EBRD, which will continue to support the development of the economies of Central European countries.

The EBRD covers, with its activity, not only the EU countries, but nations outside of the EU as well. Please consider, when extending credits for entities from these countries, that such investments should match as closely as possible with the requirements of the EU as “the model requirements” for any investment. This will lead to fairer competition in the world. 

Janusz Luks
 Chief Executive Officer, Central Europe Energy Partners, AISBL

ENERGY DIALOGUE AT THE REICHSTAG



Arash Duero

By Arash Duero

The **40th Energy Dialogue at the Reichstag** - at the invitation of Prof. Dr. Friedbert Pflüger, Janusz Reiter and Central Europe Energy Partners (CEEP) – discussed on September 27th, 2013 in Berlin the problems of the Germany's heating sector and its role in the country's energy transition.

generation capacity by 2022. Finally, he stated that private investments would be more than sufficient to spur efficiency improvements in the sector and dismissed the need for any subsidies, but did call for greater efforts to raise public awareness regarding the untapped economic and environmental benefits the heating sector has to offer.

Thomas Bareiß, Member of the Bundestag and Coordinator of Energy Policy for the CDU/CSU Parliamentary Group, noted that Germany has already made significant headway in reducing its energy consumption, but did agree with Mr. Greis that there is more room for improvement in the heating sector. He particularly stressed the potential economic benefits for German companies who are currently developing some of the most modern and innovative heating technologies on the market. To encourage more investment, Mr. Bareiß proposed, amongst several options, a 'tax-write off' for those willing to invest in new heating technologies. Finally, he stated that consumers should be able to decide, on an individual basis, which technology is most suited to their needs. He unequivocally opposed the introduction of new legislation or subsidies to stimulate investments, noting that such measures could potentially have the unintended detrimental effect of pitting one sector against another. 

Manfred Greis, Chief Representative of the Viessmann Group and President of the Federal Industrial Association of Germany - House, Energy and Environment Technology, expressed his concern about the relative lack of public and media attention the German heating sector has received thus far. He pointedly reminded the audience that the targets of Germany's energy transition cannot be achieved without enhancing efficiency in the heating market, given that it is the largest energy-consuming sector in Germany. Mr. Greis added that the savings potential is enough to compensate for the loss of nuclear

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