



Commission Européenne
Direction Générale de l'Énergie et des Transports
Unité Électricité et Gaz

Giving the neighbours a stake in the EU internal market

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Regulatory approximation for efficient energy markets



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Conventional Sources of Energy - Electricity

Directives and Regulations in electricity sector

- Directive 2003/54 – Electricity Internal Market
- Directive 2005/89 - Security of Electricity Supply and Infrastructure Investment
- Regulation 1228/2003 – Cross Border Exchange of Electricity



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Conventional Sources of Energy – Gas

Directives and Regulations in gas sector

- Directive 2003/55 Gas Internal Market
- Directive 2004/67 Security of Gas Supply
- Regulation 1775/2005 – Access to Transmission Networks



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Path to liberalisation

- White Paper on Energy Policy 1995
- first Electricity (1996) and Gas (1998) Directives
- Lisbon summit 2000
- new Directives 2003/54 and 2003/55, Regulation 1228/2003
- Gas SOS Directive 2004/67
- Gas Regulation – adopted this month
- Electricity SOS Directive – adopted this year?



The beginnings of reform

- But electricity and gas general fell behind other sectors in applying both competition law and single market because:
 - ◆ i. Idea of separating monopoly networks had not caught on
 - ◆ ii. It was thought monopoly necessary to guarantee public service (Article 86)
- But experience in telecoms and individual Member States called these assumptions into question



Summary of New Directives

- Full market opening timetable
- Legal Unbundling of networks
- Regulated Access to Networks with published tariffs and methodology approved in advance
- Deadline July 2004 for most provisions
- Deadline July 2007 for full market opening and DSO unbundling



Role of regulators

- Regulator is in charge of
 - network access tariff methodology: Art. 23(2)(a)
 - balancing methodology: Art 23(2)(b)
 - cross border capacity allocation: Regulation Art 9
- ◆ regulators must have access to information (e.g. accounts)
- ◆ regulators must have some form of sanction against companies to ensure compliance



Separation of network operators

- Unbundling
 - ◆ Legal unbundling of TSO from July 2004,
 - ◆ Additional measures to ensure independent acting
 - Management may not participate in other activities of the integrated undertaking
 - No conflict of interest
 - Compliance programme
 - ◆ Legal unbundling of DSO not later than July 2007, but management unbundling applies from 2004 onwards



Market Opening

- ◆ deadline for non-households July 2004
- ◆ deadline for all customers July 2007
- ◆ Generation market open since 1999 (first Directive). Anybody can build generation capacity; e.g. large users, CHP producers



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The CBT Regulation (1228/03/EC) and the Florence Forum



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Objectives for cross-border trade: Discussed at Florence Forum

Tarification rules

- Remove fragmented national cross-border tariffs and pancaking
- Compensation for Transmission System Operators TSOs which host cross border flows



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Congestion management

- Transparent information on available interconnection capacity
- Better information exchanges between TSOs
- Harmonised market-based approaches to allocation



The European Commission's Green Paper on energy policy

- A European strategy for sustainable, secure and competitive energy
- Energy cooperation is a strategic priority
- One of the top priority of the green paper of the Commission adopted in March 2006.



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Green Paper identifies priority areas for common actions

- Fully developing the internal energy market
- Building up solidarity among Member States towards an internal energy supply policy
- A more diverse, efficient and sustainable energy mix



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- A coordinated approach to tackling climate change, based on energy efficiency and renewable and low carbon energy production
- A more strategic approach to energy technology and innovation
- Energy and external relations: building up a coherent and proactive external energy supply policy



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An external energy policy

- ◆ A comprehensive and strategic EU Energy Review.
- ◆ International agreement on energy efficiency.
- ◆ Rapid ratification of the Energy Charter Treaty and conclusion of Transit Protocol.
- ◆ New gas import infrastructure, including LNG
- ◆ A pan-European Energy Community Treaty.



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Objectives of the neighbourhood policy in the energy sector

- Bringing the energy markets of our partners closer to each other and to the energy internal market of the European Union.
- would enable the two parts to benefit from the advantages of "common regulatory space in the energy sector" around Europe.
- will lead to a foreseeable and transparent, stable market to stimulate investment and growth, and to strengthen the security of the energy supplies.



Action Plans for the energy sector Concrete examples of cooperation

- with several Mediterranean partners,
- such as Israel, Jordan, Morocco, the Palestinian Authority and Tunisia, (Algeria signed the association agreement in 2005),
- The negotiations with Egypt and Lebanon are now ongoing.



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Why a regional market? The case of South East Europe

- Very variable legal infrastructure and investment climate in different countries: regional market will unify and help investment
- In the context of many regional markets in the EU, expanding national markets, before the long term creation of a single market
- EU legislation in countries on the EU border will create better conditions for trading energy with the EU



Energy Community Treaty – Scope

- Benefits of the internal energy market to our neighbours
- « Acquis communautaire » (electricity and gas) and Relevant acquis on Renewables, environment and competition
- Mechanism for operation of network energy markets (developing legislation within the scope of the Treaty to facilitate the operation of the regional network)



Energy Community Treaty

- Timetable for market opening (2008 for non-household customers / 2015 for all customers)
- Will include regional market institutions (Ministerial, PHLG, Forum, Regulatory Board, Secretariat)
- Secretariat in place



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Sub-regional energy initiatives in the Mediterranean

- Three projects are currently ongoing or in finalisation phase



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Maghreb (Algeria, Morocco and Tunisia)

Integration of the Maghreb electricity market

- Developing a strategy for progressive integration of electricity markets of Maghreb countries with the EU internal market
- This project aims to improve the legal framework of the maghrebini market of electricity and to develop the electric interconnections and the regional infrastructures.



- At the appropriate time, this market could be broadened to deal with the integration of the natural gas markets of the Maghreb countries.
- It could also include Libya and Mauritania in this initiative.



Mashreq : project

Euro-Mashreq gas market

- Contributing to the integration gas markets of Egypt, Jordan, Lebanon and Syria in view of creating a regional gas market to be integrated with the EU market



- will cover regulatory aspects of the gas market,
- will prepare a framework programme for the development of the gas infrastructure in the region and,
- will contribute to the carrying out of the Pan-Arabic gas pipeline.



Israel and Palestine

- Encouraging and supporting sustainable development of the energy sectors of Israel and Palestine, and promoting their increased co-operation in the energy sector



The possible adaptation of this approach by the neighbouring countries

- Part of the neighbourhood policy in the energy sector
- Objective : creation of energy market in the countries in order to facilitate their integration into the EU internal energy market.
- Based on the EU legislation and financially supported by the community