

Current Status of Energy Market Integration in SE Europe

Eurelectric

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Electricity Market Liberalization in SE Europe

- ❑ Currently, the situation in **SEE EU member countries** looks varied.

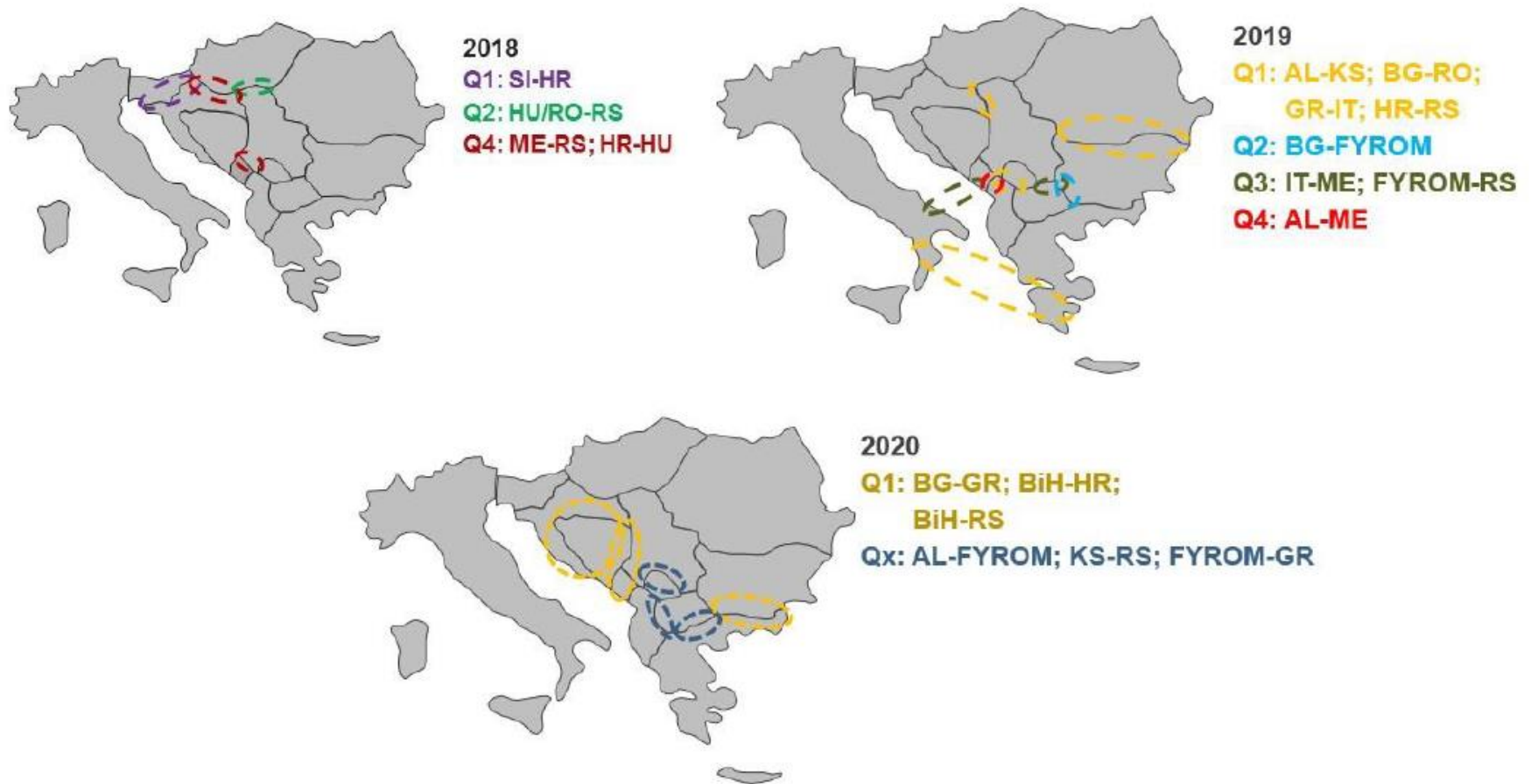
- ❑ In the **Western Balkans**: intervention of the Energy Community through the contracting parties.

- ❑ In **Turkey**: unbundling and competition in the retail area has entered a critical stage with the market opening up much faster than anticipated.

- ❑ **Some solid steps have been made** towards electricity market competition, **but progress is not very satisfactory** in most contracting parties.

- ❑ The SEE electricity markets are still **fragmented**.
 - National markets are **small** and in **different stages of maturity**.
 - In most countries, markets **are not very developed** in EU standards and still rely much on bilateral contracts.
 - Markets also **lack reliable price signals**.

Tentative Roadmap Towards the SEE Electricity Market Integration



Gas Market Liberalization in SE Europe

- Currently, there is a **highly fragmented landscape** for the gas market development.
- **Only way forward** for the development of the regional gas market is the consistent and rapid implementation of the provisions of the Third Energy Package.
- The **CESEC initiative** has helped to generate political support and boost regional cooperation on common challenges faced most notably in the gas sector.

Implementation of the Third Energy Package in the Western Balkans: Current Status (I)

- Progress with respect to the **transposition** and **implementation** of the EU's Third Energy Package (TEP) in the Western Balkans is varied (*Energy Community, "Knocking on the EU's Door through the Energy Community: Integration of Western Balkans into the Pan-European Energy Market, February 2018*).
 - **Albania, Kosovo, Montenegro** and **Serbia** have transposed it to a sufficient degree.
 - **FYROM** is preparing to adopt the required legislation within 2018.
 - Progress in **Bosnia and Herzegovina** is not in sight.

- Implementation of certain TEP provisions remains a challenge even for those countries that have already transposed the acquis.

- With respect to the requirements to unbundle electricity and gas TSOs:
 - **Albania** has successfully completed this task.
 - In **Montenegro** and **Kosovo** and, to a lesser extent, in **FYROM**, the process is ongoing.
 - No progress in **Bosnia and Herzegovina** and **Serbia**.

- In many cases, vested interests of national players pose barriers to the opening of the market.
 - **Serbia**, which has transposed the TEP in the gas sector, continues to refuse real unbundling.
 - **Albania** and **Bosnia and Herzegovina** are yet to initiate the process of unbundling of their national DSOs in the electricity sector.

Implementation of the Third Energy Package in the Western Balkans: Current Status (II)

- **No tangible progress in cross-border cooperation.**
 - With the exception of SEE CAO, regional cooperation must be fostered significantly.

- All countries **are still lagging** behind in establishing organised power exchanges.

- **Cross-border electricity trade is still below the region's potential, reflecting the high level of market fragmentation.**

- **Common rules must apply to energy flows, infrastructure and cross-border cooperation in EU Member States and Contracting Parties as well as on the borders in-between.**

Energy Cooperation in SE Europe

- An indicative guide of relevant organisations engaged in energy policy formulation is presented:
 - Energy Community
 - European Network of TSOs for Electricity (ENTSO-E)
 - European Network of TSOs for Gas (ENTSO-G)
 - Agency for the Cooperation of Energy Regulators (ACER)
 - Council of the European Energy Regulators (CEER)
 - South East Europe Coordination Auction Office (SEE CAO)
 - South Eastern European Power Exchange (SEEPEX)
 - Regional Cooperation Council (RCC)
 - Central and South East Europe Gas Connectivity (CESEC) High Level Group

Key Challenges for Energy Market Integration in SE Europe

- ❑ **Lack of implementation of the acquis** and the **gap between transposition of EU rules and implementation in practice.**
- ❑ **Strengthening of national authorities** which lack the strength and independence to act as effective and proactive guardians of the transposed acquis.
- ❑ **The EU must continue to engage the political leadership of SE Europe to maintain energy at the top of the agenda.**
 - The EC recently adopted a **strategy** for supporting the EU integration of the Western Balkans, focusing on the need for fundamental reforms and good neighbourly relations.
- ❑ **Continuous alignment of the Energy Community legal framework with legislative developments on EU level is a pre-condition for pan-European market integration and efficient cross-border trade.**
- ❑ **SE Europe does not get left behind the clean energy transition currently under way in the EU.**
 - An opposite direction could have expensive and long-term regional repercussions.