



IENE Conference

“10th SE Europe Energy Dialogue (SEEED)”

Belgrade, June 13-14, 2017

**Conference Review, Conclusions and
Recommendations**

Athens, September 2017

➤ *Conclusions and Recommendations*

(a) Review of Proceedings

Belgrade was the city that hosted this year's "SE Europe Energy Dialogue (SEEED)", IENE's long established event focusing on the regional energy agenda, which took place on June 13-14, 2017. "Connecting SE Europe's Energy Markets" was the special theme for this year's SEEED, signifying the tremendous effort now taking place in connecting regional energy markets in more ways than one.

IENE's recently published major study, the "SE Europe Energy Outlook 2016/2017", was also presented, for the first time at regional level. The Institute's annual conference once more brought together high-ranking government officials, senior business executives and energy experts from all countries of SE Europe and beyond.

The 10th SEEED started on Tuesday, June 13, with opening remarks by Mr. John Chadjivassiliadis, Chairman of IENE. During this opening session, which was chaired by the Institute's Executive Director, Mr. Costis Stambolis, Dr. Branko Kovacevic (President of EPS Supervisory Board, Serbia) and Mr. Manolis Panagiotakis (Chairman and CEO, Public Power Corporation, Greece) were the keynote speakers. A lively discussion followed, with useful insights into each corporation's business challenges.

The **first session**, on the international and regional perspectives, was chaired by Mr. Nikola Radovanovic (Chief Legal Officer for EU Legislation, EU Liaison Office, CEO Office, NIS Gazprom Neft, Serbia). The speakers of this session included Dr. Yurdakul Yigitguden (Independent Energy Consultant from Turkey and Former Co-ordinator of OSCE Economic and Environment Activities, Organization for Security and Co-operation in Europe), Dr. Narsi Ghorban (Secretary to the Environment and Energy Commission of the International Chamber of Commerce, Iran), Prof. Dr. Ionut Purica (Executive Director, Advisory Center for Energy and Environment, Romanian Academy, Romania), Ms. Dragana Orlic (Deputy Director, Electricity Coordinating Center-EKC, Serbia). A panel discussion with the participation of the above speakers, Mr. Milan Zdravkovic (DSO Executive Director, PE SRBIJAGAS, Serbia) and Dr. Miodrag Mesarovic (Secretary General, World Energy Council, Serbia) followed.

Chaired by Dr. Hans Hutta (General Manager, International Center for Petroleum & Industrial Management -ICM, Austria), the **second session** focused on the changing regional

energy landscape and key policy issues. During this session, Mr. Costis Stambolis, Executive Director of IENE, presented the Institute's major study project, the "SE Europe Energy Outlook 2016/17". The findings and main conclusions of the study were discussed by a panel comprising Dr. Dusko Tubic (Director, Security Coordination Centre, Serbia), Mr. Gus Papamichalopoulos (Secretary General, IENE, Partner, KG Law Firm, Greece), Prof. Dr. Ionut Purica (Executive Director, Advisory Center for Energy and Environment, Romanian Academy, Romania) and Mr. Nenad Stefanovic (Senior Expert for Electricity, Energy Agency of the Republic of Serbia -AERS, Serbia).

The proceedings of the second day (Wednesday, June 14, 2017) of IENE's 10th SEED started with the **third session**, on the electricity market priorities and regional integration. Covering a wide range of subjects, including electricity market operation, CACM early implementation, regulatory and legal issues, cross-border electricity trading, grid expansion and power exchanges, this session, chaired by Mr. Nenad Stefanovic, was divided into two parts. The speakers of the **first part** included Mr. David Zarkovic (Manager for Electricity Trading, EPS, Serbia), Mr. Andreas Mitafidis (Director of Energy Trading Department, PPC, Greece), Mr. Milos Mladenovic (Managing Director, SEEPEX, Serbia) and Dr. Nick Frydas (Senior Energy Specialist, Energy & Resources Efficiency Advisory Services, International Finance Corporation, World Bank Group, Serbia). The **second part** included Dr. Vesna Borozan (Professor Faculty of Electrical Engineering and Information Technologies, University of Sts. Cyril and Methodius, FYROM), Mr. Aleksandar Mijuskovic (Executive Director Coordinated Auction Office in South East Europe, SEECAO, Montenegro) and Mr. Dragan Vignjevic (General Manager, Statkraft, Serbia).

The critical issues facing RES and energy efficiency in SE Europe, with a special focus on energy efficiency and innovative applications in the building sector and in industry, RES prospects and energy storage and new funding schemes for RES, were the main subjects covered by the conference's **fourth session**. Dr. Vesna Borozan chaired this session, while speakers included Mr. Costas Theofylaktos (Chairman, COGEN Greece, Chairman of the Energy Efficiency Committee and Member of the BoD, IENE, Greece), Dr. Yurdakul Yigitguden (Independent Energy Consultant and Former Co-ordinator of OSCE Economic and Environment Activities, Organization for Security and Co-operation in Europe, Turkey), Mr. Marijan Rancic (Energy Specialist, International Finance Corporation, World Bank Group, Serbia), Mrs. Antonela Solujic (Head of Energy Efficiency, Ministry of Mining and Energy, Serbia), Mrs. Maja Turkovic (Founder, Association for Sustainable Development, Serbia), Mr.

Aleksandar Macura (Chairman of the Board, RES Foundation, Serbia) and Mr. Nikolaos Sofianos (Head of Research, IENE, Greece).

The **fifth session**, on the challenges and opportunities of SE Europe's expanding natural gas market, focused especially on major gas Interregional Projects, the Expanded Southern Gas Corridor and the role of East Med Gas, as well as on gas interconnectors and market integration, energy security issues and the role of LNG. Chaired by Mr. Petar Maksimovic (Secretary General, Energy Agency of the Republic of Serbia-AERS, Serbia), speakers included Mr. Aleksandar Kovacevic (Energy Expert, Serbia), Dr. Nikolaos Farantouris (General Counsel & Head of Legal, DEPA, Greece, Chair of Legal Affairs Committee, EUROGAS, Belgium), Mr. Vladimir Durovic (Energy Expert, Croatia), Mr. Jovica Budimir (Investment Executive Director, PE SRBIJAGAS, Serbia), Mr. Stamatias Koutsoukos (Process Coordinator, Asprofos Engineering, Greece), and Mr. Gligo Vukovic (Project Manager for Energy, Delegation of the European Union, Serbia).

Chaired by Mr. Milan Zdravkovic, the **sixth session**, covered issues concerning energy investments and business opportunities in SE Europe. More particularly, major energy investment projects in the region, demand-side management, investment opportunities and environmental issues were examined during this session, with the participation of Mr. Nikola Radovanovic (Chief Legal Officer for EU Legislation, EU Liaison Office, CEO Office, NIS Gazprom Neft, Serbia), Mr. Pavlos Baxevanis (Director of Business Development Department, PPC, Greece), Mr. Ilia Gjermani (Head, Regulatory and Management Ministry of Economy, Trade and Energy, Albania), Dr. Christos Papadopoulos (Regional Director Europe, Energy Exemplar, UK), Mr. Vuk Radovic (General Manager in EKO SERBIA A.D., Member of the Hellenic Petroleum Group, Serbia) and Ms. Milica Pesteric (Senior Associate, BDK, SEE Legal, Serbia).

Confronting energy poverty in SE Europe was the topic of the **seventh and final session** of IENE's 10th SEED, chaired by Prof. Dimitrios Mavrakis (Director, Energy Policy and Development Centre of the National and Kapodistrian University of Athens, Greece). Focusing on energy poverty in SE Europe, energy efficiency measures, financial support schemes and access to electricity and heating fuel, this session took place with the participation of Mr. Savvas Politis (Scientific Project Officer, European Commission, DG Joint Research Center, Directorate C: Energy, Transport & Climate, Unit C.7: Knowledge for Energy Union, The Netherlands), Mr. Mihailo Mihailovic (Energy Expert, Serbia), Mr. Nikola Tomasovic (Energy Consultant, NIRAS International Consulting, Serbia), Mr. George Lantzas

(PPC Albania Sh.A) and Mr. Costas Theofylaktos (Head of IENE's Energy Efficiency Committee).

The 10th SE Europe Energy Dialogue was organized under the auspices of **Serbia's Ministry of Energy and Mining**, while **Greece's Public Power Corporation S.A.** and **Serbia's NIS Gazprom Neft** were the conference's leading sponsors. **Hellenic Petroleum S.A.** and **Greece's Public Gas Corporation S.A.** were the event's sponsors, whereas supporters included **PE SRBIJAGAS**, **KG Law Firm** and **SEE Legal**. Media partners included **SEE News**, **New Europe**, **Balkan Green Energy News** and **Energia.gr**.

(b) Conclusions

Electricity markets in SE Europe and their liberalization has faced several difficulties and numerous non-technical obstacles in the past as the incumbent companies in almost all countries solidly resisted any change on the grounds of losing control of the market and hence weakening of their bureaucratic hold. Currently, the situation in EU member countries looks varied with certain SEE countries having managed to complete what appeared to be an anomalous transition period and some other SEE countries still trying to adapt to EU competition rules. In the case of Turkey, the achieved progress in electricity market operation unbundling and competition in the retail area has entered a critical stage with the market opening up much faster than anticipated. In the case of the Western Balkans, we have the intervention of the Energy Community through the contracting parties, which has facilitated the overall transition process to the European Acquis. Hence, some solid steps have been made towards electricity market competition. However, progress is not very satisfactory in most contracting parties, largely because of the inflexible market structure and the stiff hold of the state over market mechanisms.

Another important finding of the conference concerned the latest developments in electricity markets operation in SE Europe, where the main focus was on the energy exchanges. Taking into account the experience from the operation of the Serbian stock exchange (SEPEX), the prospects for the establishment of new energy exchanges in FYR of Macedonia and Albania were highlighted. The homogeneity of regional electricity market structure (currently lacking) is an essential step towards market integration and the creation of rules of healthy competition. As analysed in the conference, the road to decarbonisation in SE Europe can be achieved, but there is no apparent rush, as issues that are related to security of energy supply are prioritized and hence have to be taken into serious consideration.

In terms of **gas** markets, the SEE region is geographically important, but with limited investment opportunities, as has been shown over the past few years. The low GDP per capita in SEE countries as well as the limited and underutilized gas infrastructure were highlighted. In addition, the need for more gas infrastructure in the SEE region and the prospect of increased gas use, as it is environmental friendly and its global demand is constantly increasing, among others, were stressed. The discussion on gas infrastructure covered both pipelines and LNG, which because of the new favourable price environment is becoming increasingly attractive as an option in SEE. Moreover, the opportunities for further development of gas use in Greece were analysed, as the country is well suited to become a gas hub through various projects, such as Poseidon Med II LNG bunkering project, the well-known Trans Adriatic Pipeline (TAP) project, the Greece-Bulgaria Interconnector (IGB) and the European outlet for the Turkish Stream. Special reference to the Croatian and Serbian gas markets was made, following the increased activity on gas infrastructure projects at country and regional level. In short, SE Europe is trying to adapt to European requirements, but the region has different needs, which means that future investment should be tailored to them.

Regarding **oil** markets in SE Europe, all countries with refineries, except of Albania and Romania, are fully or mainly dependent on crude oil imports. SEE countries without operating refineries are fully dependent on oil derivatives imports. Over the last few years, major investments have been made in refining sector, predominantly in hydrocracking capability-diesel production. Greece, as the biggest regional producer of oil derivatives, has developed substantial exports, mostly to Mediterranean markets. European refineries will come under increased pressure over the next few years due to the growing competition from Middle East refineries, Russian refiners which invest in upgrading capacity and North American market that became more self-sufficient, making more difficult to accept surplus gasoline from EU refineries.

Renewable energy sources constantly increase their position in the energy mix of SE Europe. The important role of the Energy Efficiency Directive, the heating/cooling policy as well as the significance of international funding for energy efficiency and RES projects, mainly in the Balkan countries, through the World Bank and the European Investment Bank, among others, were also underlined. In terms of **cogeneration** in SE Europe, it plays an important role, mainly in the industrial and district heating sectors, in Bulgaria, Romania, Turkey and Slovenia. In other countries, such as Greece and Croatia, cogeneration "struggles" to be added in the energy mix. The main obstacles for the development of cogeneration in SE

Europe can be summarized as follows: long licensing period for construction, operation and connection to the grid, bureaucracy and unstable legal framework.

Today, addressing **energy poverty** is one of the main challenges faced by SEE countries. Most conference delegates agreed that a common approach should be implemented regarding the definition of energy poverty by the EU Member States, which would be beneficial as it would allow the effective coordination of policy interventions in order to protect vulnerable consumers. Emphasis was also placed on the high correlation between the percentage of the population that lies on the poverty line, and the percentage of the population, now facing increased debts in their electricity bills. More specifically, more than 30% of the total population of three Balkan countries (i.e. Greece, Serbia and Bulgaria) faces problems with the payment of bills. Furthermore, the paradox that among the countries with the largest percentage of their population without sufficient heating at residential level are the high-temperature coastal countries, such as Albania, Greece and Bulgaria, was highlighted, while the coldest countries in Europe show better results, such as Norway, Sweden, Iceland and Finland.

Of great interest was also the analysis of the implications of energy poverty on people's health, including cardiological, neurological and respiratory problems. A number of difficulties were also identified on measuring energy poverty in the European Union due to theoretical and practical reasons.

(c) Recommendations

The following recommendations have been formulated by the Conference Organizing Committee after reviewing in detail the Conference proceedings.

- (1) Each SEE country should strive to implement its part in the development of joint infrastructure projects in order to enhance energy interconnectivity (mainly gas and electricity).
- (2) There is a need to develop environmental friendly schemes and more detailed country strategies in order to attract private investment in SEE's renewable energy sector.
- (3) There is a need for reducing electricity losses in SEE's transmission and distribution grids with a focus on deploying smart metering technology.
- (4) The full implementation of the Energy Efficiency Directive is expected to play an important role in the development of cogeneration and district heating in SE Europe.

- (5) Through European Directives 2009/72 and 73, national action plans should be implemented in order to address the issue of energy poverty, which is becoming pressing in view of depressed economic conditions throughout the SEE region. In addition, the development of further energy efficiency projects should be accelerated through European Directives 2010/31 and 2012/27. The role of the newly established Energy Poverty Observatory of the European Commission is also important.
- (6) There is a need for a new indicator of energy poverty measurement that should control trends and changes, recognizing the category of people affected and supporting policy design and evaluation, among others.
- (7) There is a need for convergence of the national laws of SEE countries with the European acquis in relation to the protection of energy consumers in electricity and gas sectors, with special focus on enhancing energy efficiency.