

ENERGY INFRASTRUCTURE

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A regionally concerted investment strategy in the energy sector is necessary in order to ensure the supply of stable energy power to meet the constantly growing needs of local businesses in Southeast Europe. Efficient cooperation and coordination with relevant EU institutions for project prioritization, transmission interconnection, pricing, training, diversification of resources and sincerely answering questions related with energy efficiency following Bulgaria's admission to the EU and the country's export capacities if the agreed – but not necessarily fully pragmatic – Road Map for energy is fully implemented.

SUPPLY OF STABLE ENERGY POWER MEETING THE GROWING NEEDS OF LOCAL BUSINESS

The companies operating in the SEE region need to be sure of the availability, efficiency and reliability of the network energy sources. This question will become increasingly important as the regional energy providers will struggle to keep pace with the growing needs of the locally rapidly expanding economies.

NEED FOR REGIONALLY CONCERTED INVESTMENT STRATEGIES

Especially in the Western Balkans, the countries of South Eastern Europe have small, poor and sparsely populated urban areas that do not provide room for purely national energy policies. The fragmentation of local energy markets therefore requires addressing the **following concerns**:

- a) While it is left to the local governments to propose priority investment projects related to the development of the Energy Community, **all stakeholders want to understand how consultation processes will prioritise projects (location, source of energy, etc)**. In this context and in view of the need to diversify sources of energy, what could be the specific role of nuclear energy and coal/lignite?
- b) Furthermore, it is **urgent to design trans-national energy policies** that will serve local populations and businesses in the most efficient way so as to achieve economies of scale. Otherwise investors might be reluctant to enter into such projects. In what forum will this coordination take place? What role could the Commission play here?
- c) The crucial decisions **to better interconnect these fragmented markets with transmission lines** need to be adopted under the coordination of an appropriate panel.

TRANSPARENT PRICING POLICIES

Companies want to ascertain that they will be paying reasonable prices and not cross-subsidise the price paid by household consumers. **This calls for transparent pricing policies** and the elimination of abuse and corruption.

NEW TARIFF AND PAYMENT COLLECTION POLICIES

To attract energy operators and investors, retail, transmission and distribution tariffs will have to be raised to cost recovery levels. In addition, **effective payment collection policies will have to be enforced**. As investments in the energy sector become profitable only over a long period of time, it is of utmost importance that contractual obligations endorsed by the states are fulfilled in spite of government changes. How can the EU/EC help guaranteeing that the commitments taken by governments of the region will be respected?

TRAINING SCHEMES FOR THE LOCAL WORKFORCE

The construction and subsequent operation of **new power plants will require the availability of skilled workforce**. What measures could the Commission adopt to foster investment in human capital and life-long learning schemes?

PUBLIC SERVICE OBLIGATIONS

Raising tariffs to cover the long term marginal cost of energy will create affordability problems for the poorest deciles of the population. What are the **policies and programmes that the EU/EC envisages to mitigate “energy divide”, particularly in rural and mountainous areas** and to promote renewable sources of energy?

URGENT NEED TO DEVISE A DIVERSIFICATION STRATEGY FOR THE IMPORT OF GAS THROUGHOUT SEE

The recent gas dispute between Ukraine and Gazprom stressed the geo-political importance of securing different supply routes for energy in Europe. In **particular, SEE countries that mainly depend on Russian gas are worried about diversifying their gas imports**. Can the Nabucco gas pipeline project -which will transport gas from the Middle East and the Caspian Region over 3,400 km through Turkey, Bulgaria, Romania, Hungary to Austria - alone address this issue? Which other routes could be used? Will liquefied natural gas be part the solution? We understand that the Commission is working on a Gas Transition Strategy paper. What is the timetable for its publication and what are the main working assumptions?

WILL THE REPUBLIC OF BULGARIA STILL BE ABLE TO SUPPLY NEIGHBOURING COUNTRIES IN 2007?

80% of the electric energy consumed within SEE is actually produced in Bulgaria, who, however, is in the process of phasing out its nuclear units located in Kozloduy. Units I and II were already closed down and units III and IV are planned to be retired in 2007 (with units V and VI available through 2020). The phasing out of these units was supposed to be offset by the launch of a thermal plant in Maritsa East I, but the construction of this plant has been delayed. **While Bulgaria is likely to remain self-sufficient, this gives cause for concern for SEE neighbouring countries that rely on energy imports from Bulgaria**. What action could the Commission undertake to address this potential threat?