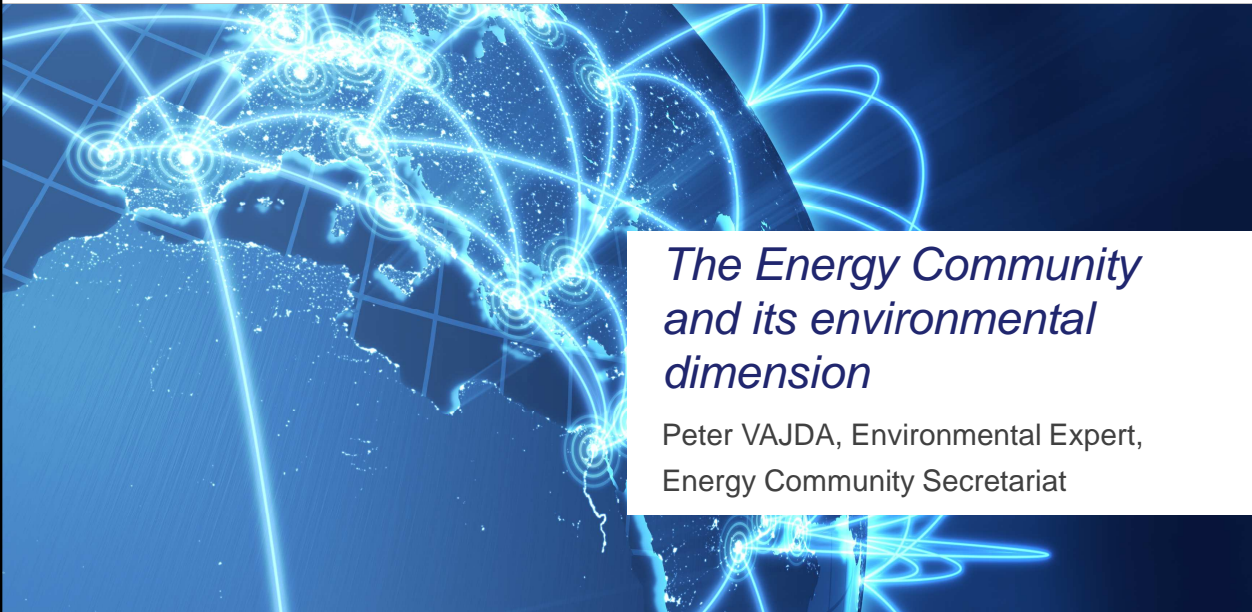

Energy Community



The Energy Community and its environmental dimension

Peter VAJDA, Environmental Expert,
Energy Community Secretariat

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Agenda


Energy Community



- 1. About the Energy Community**
 - **Geographical Scope**
 - **Facts and Figures**
 - **Why an Energy Community?**
 - **Legal Framework**
 - **Institutions**
- 2. The Environmental Dimension**
- 3. Where do we stand / Next steps**

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Agenda



1. About the Energy Community

- Geographical Scope
- Facts and Figures
- Why an Energy Community?
- Legal Framework
- Institutions

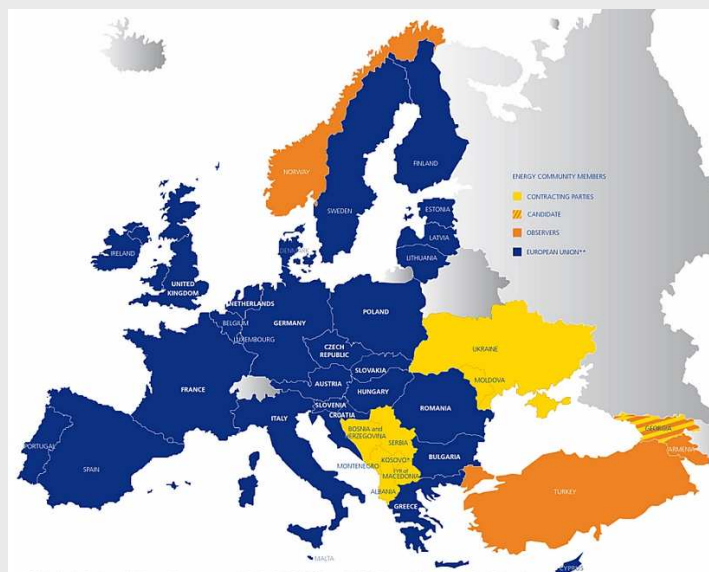
2. The Environmental Dimension

3. Where do we stand / Next steps

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Geographical Scope



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Facts and Figures



TREATY ESTABLISHING THE ENERGY COMMUNITY

- signed in October 2005; entered into force on 1 July 2006
- Contracting Parties
- European Union
- 8 Contracting Parties: Albania, Bosnia & Herzegovina, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia, Ukraine, Kosovo*
- 16 EU MS as Participants (since 1 March 2009): AT, BG, HR, CZ, CY, FR, DE, EL, HU, IT, NL, PL, RO, SK, SI, UK
- 1 Candidate: Georgia
- 3 Observers: Armenia, Norway, Turkey

CONTENT

- implementation of the Treaty – *acquis* → no dynamic adjustment to EU *acquis* – requires Ministerial Council Decision
- Deadlines
- institutional framework

* under UNSCR 1244

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Why an Energy Community?



BACKGROUND

- conflicts of 1990s → disintegration of a unified energy system
- interdependence of energy supply

REQUIREMENTS

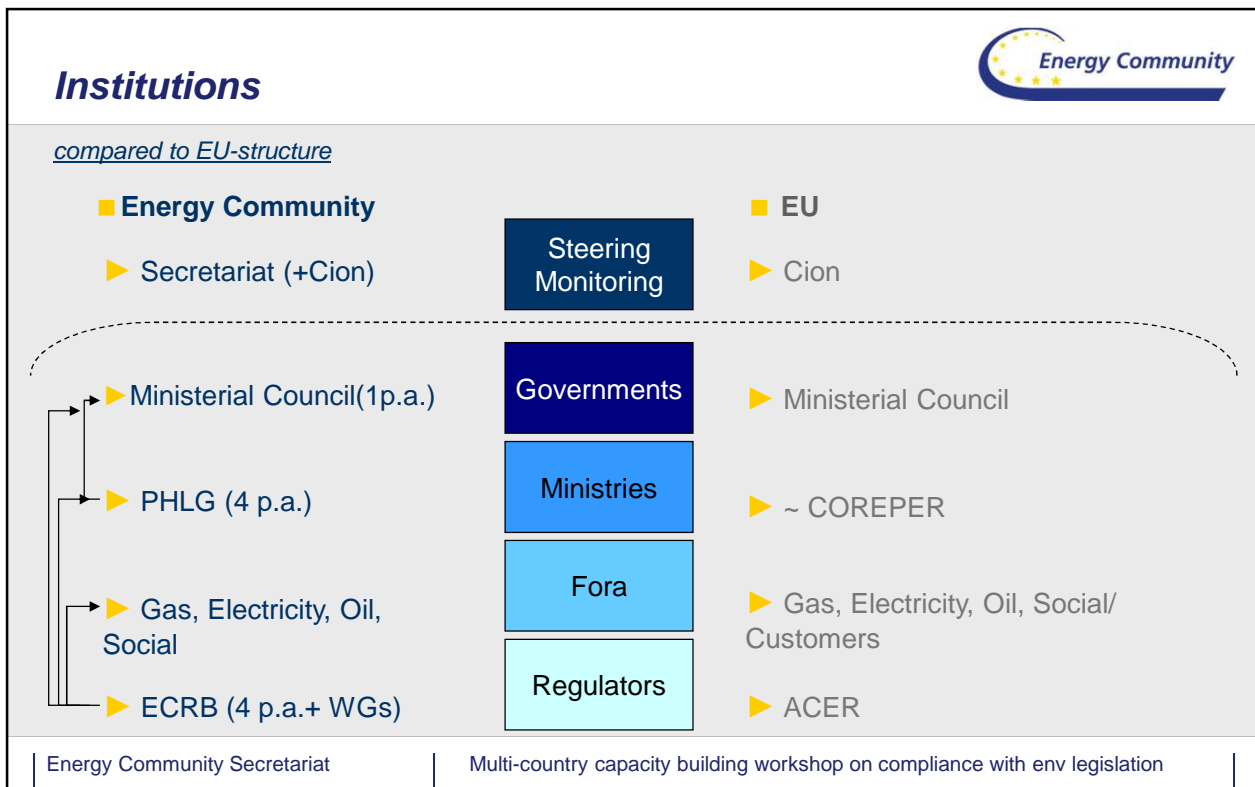
- cooperation; infrastructure; reconstruction
- stability as condition precedent to investments
- stable legal framework

BENEFITS OF A REGIONAL APPROACH

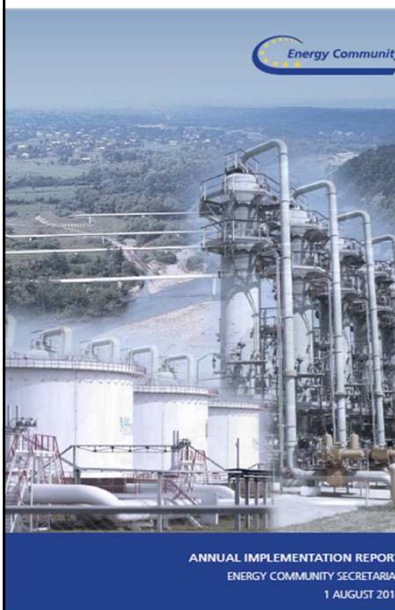
- optimized usage of existing capacity of transportation and production
- improvement of future investments → small markets; economies of scale
- process support
- EU Integration
- security of supply

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Implementation report

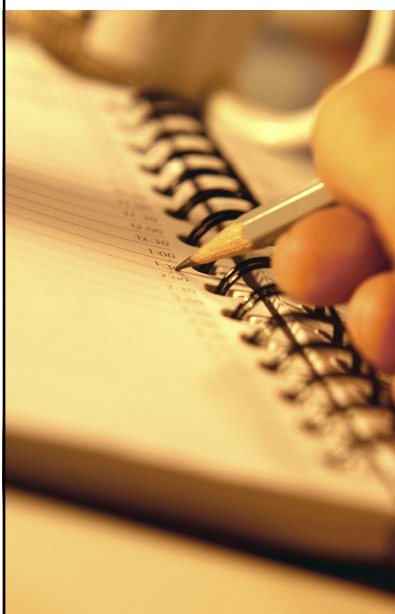


- *Prepared annually by the Secretariat, published before Ministerial Council meeting*
- *Monitoring the achievements of Contracting Parties towards compliance with the EnC acquis*
- *Recommendations*
- *Analysis by CP: Electricity, Gas, Environment, Energy Efficiency, Renewables, Oil, Statistics, Competition, Open Infringement Cases*
- *Regional analysis: Investments, Social*

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Legal framework



1) Title II: "ACQUIS of the EnC" → NETWORK ENERGY

geographical scope: Contracting Parties

Environment

- Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment (as amended by Council Directive 97/11/EC and Directive 2003/35/EC) – after entry into force
- Directive 1999/32/EC relating to a reduction in the sulphur content of certain liquid fuels – as of 1 January 2012
- Directive 2001/80/EC on the limitation of emissions of certain pollutants into the air from large combustion plants – as of 1 January 2018
- Art. 4(2) Directive 79/409/EEC on the conservation of wild birds – after entry into force
- Endeavour to accede/implement: Kyoto Protocol; Council Directive 96/61/EC concerning integrated pollution prevention and control
- Construction and operation of new generating plants – after the entry into force of the Treaty and with compliance on the acquis on environment

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Environmental impact assessment - scope



- "public and private projects which are likely to have significant effects on the environment"
- Definition of project:
 - the execution of construction works or of other installations or schemes,
 - other interventions in the natural surroundings and landscape including those involving the extraction of mineral resources;
- For some projects (Annex I) → mandatory EIA (size, nature of the project)
- For some projects (Annex II) → screening

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What is required under an EIA



- EIA is a process to identify the potential effects of the project on the environment
- Information to be provided by the developer:
 - a description of the project comprising information on the site, design and size of the project,
 - a description of the measures envisaged in order to avoid, reduce and, if possible, remedy significant adverse effects,
 - the data required to identify and assess the main effects which the project is likely to have on the environment,
 - an outline of the main alternatives studied by the developer and an indication of the main reasons for his choice, taking into account the environmental effects,
 - a non-technical summary of the information mentioned in the previous indents.

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Benefits of an EIA



- Potentially screens out environmentally-unsound projects
- Proposes modified designs to reduce environmental impacts
- Identifies feasible alternatives
- Predicts significant adverse impacts
- Identifies mitigation measures to reduce, offset, or eliminate major impacts
- Engages and informs potentially affected communities and individuals
- Influences decision-making and the development of terms and conditions

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The Sulphur in Fuels Directive



- *Legal requirements for the sulphur content of heavy fuel oil (1%) and gas oil (0.1%)*
- *Marine fuels (2005 amendment) → N/A to EC Contracting Parties*
- *Provisions on sampling and analysis → reference to ISO standards*
- *Implementation deadline in the Energy Community → 31 December 2011 (31 December 2012 for Ukraine, 31 December 2014 for Moldova)*
- *A number of Contracting Parties are facing challenges with the implementation of the Directive / meeting the deadline (dispute settlement cases)*
- *Refineries are usually in need of modernization to be able to meet the standards of the Directive*
- *In certain Contracting Parties, testing and sampling (standards) is an issue*

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The LCP Directive



- *LCP = Large Combustion Plants*
- *First European legislative instrument in this field adopted in 1988 (88/609/EEC)*
- *Current LCP Directive adopted in 2001, to be replaced by IED in 2016 in the EU*
- *Setting emission limit values for SO₂, NO_x and dust (particulate matter) for plants with a rated thermal input (RTI) ≥ 50 MW*
- *ELVs may vary based on the RTI of the plant and on the type of fuel used*
- *Provisions on monitoring*
- *Flexibility mechanisms (national emission reduction plan, limited lifetime derogation, etc.)*

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Challenges and possible solutions



- *Power and heat generation facilities located in the Energy Community region of are, generally speaking, in a bad condition*
- *Main reasons: maintenance delay / lack of investment over the last two decades*
- *Remaining 5 years until LCPD deadline seems to be a long time but it is short considering the related investment cycle*
- *Current financial environment is not very supportive*
- *Secretariat's support*
- *Study on a plant-by-plant analysis about to be finalized*
- *Decision of Ministerial Council on LCPs (24 October 2013) – see later*
- *Environmental Task Force to continuously monitor progress until the deadline (and possibly beyond)*

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Ministerial Council decision on LCPs



- *Adopted on 24 October 2013*
- *LCP implementing rules*
 - NERP: between 2018-2027*
 - opt-out: between 2018-2023*
- *IED applies mandatorily for new plants from 2018 onwards*
- *IED for existing plants: revision clause until end 2015*
- *Ukraine: specific case*

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NERPs - Background



- *Decision adopted at 2013 Ministerial Council setting specific LCPD rules for Contracting Parties taking into account the specific situation of the EnC*
- *One of the core elements: specific rules for EnC NERP*
- *Alternative method of compliance for LCPs other than the ELVs*
- *For existing plants only (plants permitted before 01 Jul 1992)*
- *Contracting Parties to decide which plants to be covered*
- *Submission deadline: 31 Dec 2015*
- *Policy guidelines published by ECS on 19 Dec 2014*

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Content of a NERP

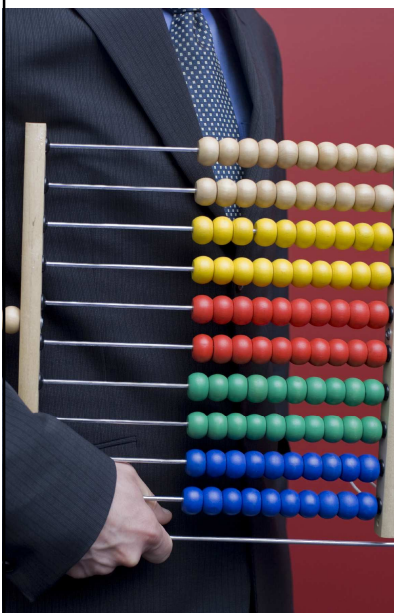


- *Emission ceilings to be established for every year between 2018-2027*
- *For each pollutant covered by the Directive (SO₂, NO_x, dust)*
- *Reference emission limit values (2018-2022, 2023-2025, 2026-2027) → included in policy guidelines*
- *Individual plant contributions to ceiling to be calculated for each plant covered by the NERP*
- *NERPs to describe measures envisaged to deliver the necessary emission reductions*
- *Post-2018: annual reporting on progress towards NERP ceilings*

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Opt-out



- *Plants in the case of which retrofit is not an option (economical/technical reasons)*
- *Written declaration by end 2015 by the operator needed*
- *2018-2023: max. 20,000 operational hours*
- *If 20,000 hours reached or on 31 Dec 2023 the latest: plant should be closed down*
- *Opt-out does not exclude that the plant could be operated further after this point as a new plant (meaning that it needs to meet the ELVs of Chapter III/Annex V of the IED under EnC law)*
- *Example of Varna, Bulgaria*

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Challenges and potential

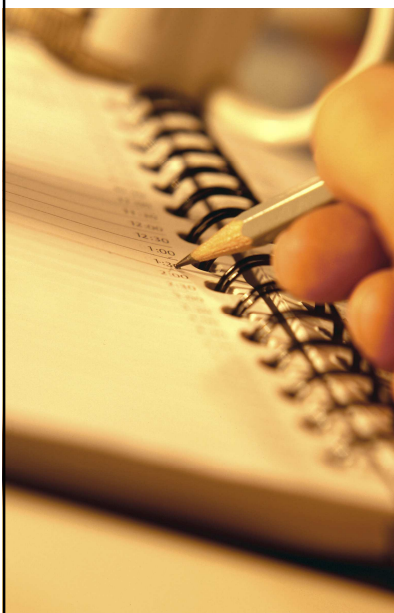


- *High costs involved*
- *State-owned companies → mixed political and economic considerations*
- *Attracting investments*
- *Regulated prices*
- *Benefits (health, environmental, agricultural, social, etc.) by far outweigh the costs*
- *Regulatory stability → investments*
- *Pathway for EU accession*

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Next steps



- **Secretariat to continuously monitor the implementation of all environmental Directives in the Contracting Parties**
- **In case of identified breaches → dispute settlement procedures (~ infringement)**
- **Future for the LCPD**
 - IED revision clause for existing plants**
 - NERPs: submission by end 2015**
 - opt-out: list of plants to be submitted by end 2015 (MC to approve in 2016)**
 - Env Task Force with continuous support**

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Report of High Level Reflection Group



- *Treaty extended for an additional 10 years in 2013 (2016-2026)*
- *In parallel, Ministerial Council mandated HLRG chaired by MEP Jerzy Buzek to carry out an overall analysis on the EnCT*
- *Report published in June 2014*
- *Several recommendations regarding geographical coverage, new acquis (remarkable environmental dimension), introduction of a Court system, etc.*
- *Secretariat in cooperation with COM to prepare an analytical paper by end 2014 on the HLRG's findings*
- *Public consultation in early 2015 → results*
- *Measures to be taken, if possible, by 2015 MC*

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*Thank you
for your attention!*

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