Energy Community Treaty: conclusion

2005/0178(AVC) - 14/09/2005 - Initial legislative proposal

PURPOSE : to conclude the Energy Community Treaty.

PROPOSED ACT: Council Decision.

CONTENT: this proposal recalls that in November 2002, at the Ministerial Meeting of the Athens Forum process the member countries of the South-East Europe electricity market signed a Memorandum of Understanding committing them to implement parallel rules to the Community provisions creating an internal electricity market in the area. In December 2003, the signing of a second Memorandum of Understanding, to which the EC was a party, provided for the extension of the Athens Process to gas markets and confirmed the first Memorandum.

The European Commission has negotiated a Treaty establishing an Energy Community with Albania, Bulgaria, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Romania, Serbia, Turkey, and the United Nations Interim Administration Mission in Kosovo.

The Treaty will give a legally binding framework to the existing ongoing cooperation under the 2002 and 2003 Athens Memorandum of Understanding between the EC and the countries of the region.

The Treaty creates an internal energy market between the EC and the non-EU countries of the region, including mutual assistance and possibly a common external energy trade policy, a factor necessary for an internal market. It enables the setting up of a regulatory framework permitting the efficient operation of energy markets in the region, including for the EU countries of the region. It provides for the implementation of the relevant acquis communautaire on energy, environment, competition and renewables for the non-EU countries of the region. The Treaty and the Athens Process behind it provide for some regional level co-ordination in order to overcome entrenched state level political problems, including on issues of regulatory co-operation, investments, statistics and physical market co-ordination.

More particularly, the aims of the treaty are:

- to establish a reliable energy supply which is a precondition to economic growth in that area;

- to ensure EU access to gas resources in Middle East and the Caspian Area, enhancing diversity of supply and security of supply, and ending the network isolation of Greece.

- to increase environmental standards to EU acquis provisions;

- to introduce sectoral provisions of the acquis communautaire and to create a larger single European energy market;

- to foster an investment climate and reduce regulatory risk in the area, and enable the economic development and social stability of the region.

This is the first initiative where the EU has taken a sectoral approach to questions of trade and environment, to assist applying EU standards with a view to possible future accession.

Through the creation of an area without internal frontiers for gas and electricity, the Treaty aims at promoting high levels of gas and electricity provision to all citizens based on public service obligations,

and achieving economic and social progress and a high level of employment as well as a balanced and sustainable development.

Issues relating to employment and social impacts, including working conditions, and social dialogue, are being actively discussed and separate political commitments on these issues are to be sought in a complementary Memorandum of Understanding aiming at securing this social dimension which is an integral part of the internal market.

In cooperation with international donors, the Treaty will enhance the coordination of financial aid to the region. The World Bank has, in this regard, announced the creation of an investment fund of $1.75 billion for the electricity and gas sectors of the region. The grant of the funds will be made conditional on compliance with the Treaty. The World Bank fund may be enhanced as the World Bank speculates that total investments necessary to achieve an EU level market are in the order of $20 billion. The EBRD has also included the Energy Community Treaty Process in its lending policies and has made several loans based on its overall ambitions. The aim is to minimise conditionality conflict amongst the financial donors.

The Energy Community Secretariat will be established, the purpose of which is to assist the European Commission in its tasks to assure the Energy Community process co-ordination on a daily basis and to serve as a monitoring institution. The European Community will benefit from a veto right on all decisions to be adopted by the Energy Community. The impact on the European Community budget is very limited, as the budget of the Energy Community Treaty shall only cover the operational expenses of the Energy Community necessary for the functioning of its institutions.