Basic information

2005/0178(AVC) AVC - Assent procedure (historic)	Procedure completed
Energy Community Treaty: conclusion **Subject** 3.60.15 Cooperation and agreements for energy **Geographical area** Albania Bosnia and Herzegovina Bulgaria Croatia Former Yugoslav Republic of Macedonia Kosovo under UNSCR 1244/1999 Montenegro, from 06/2006 Romania Serbia, from 06/2006	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ITRE Industry, Research and Energy	CHICHESTER Giles (PPE-DE)	05/10/2005

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	The committee decided not to give an opinion.	
ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2698	2005-12-06
Competitiveness (Internal Market, Industry, Research and Space)	2731	2006-05-29
Environment	2684	2005-10-17

European Commission

Commission DG	Commissioner
Energy and Transport	

Key events

Date	Event	Reference	Summary
14/09/2005	Initial legislative proposal published	COM(2005)0435	Summary
09/12/2005	Legislative proposal published	13886/2005	Summary
15/12/2005	Committee referral announced in Parliament		
19/04/2006	Vote in committee		Summary
21/04/2006	Committee report tabled for plenary, 1st reading/single reading	A6-0134/2006	
17/05/2006	Debate in Parliament		
18/05/2006	Decision by Parliament	T6-0219/2006	Summary
18/05/2006	Results of vote in Parliament		
29/05/2006	Act adopted by Council after consultation of Parliament		
29/05/2006	End of procedure in Parliament		
20/07/2006	Final act published in Official Journal		

Technical information

Procedure reference	2005/0178(AVC)
Procedure type	AVC - Assent procedure (historic)
Procedure subtype	Legislation
Legal basis	EC Treaty (after Amsterdam) EC 047-p2 EC Treaty (after Amsterdam) EC 055 EC Treaty (after Amsterdam) EC 083 EC Treaty (after Amsterdam) EC 300-p2/3-a1/2 EC Treaty (after Amsterdam) EC 095 EC Treaty (after Amsterdam) EC 133 EC Treaty (after Amsterdam) EC 175 EC Treaty (after Amsterdam) EC 089
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/6/30496

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE367.882	31/01/2006	
Committee report tabled for plenary, 1st reading/single reading		A6-0134/2006	21/04/2006	
Text adopted by Parliament, 1st reading/single reading		T6-0219/2006	18/05/2006	Summary

Council of the EU

Document type	Reference	Date	Summary
Legislative proposal	13886/2005	09/12/2005	Summary

European Commission

Document type	Reference	Date	Summary
Initial legislative proposal	COM(2005)0435	14/09/2005	Summary
Follow-up document	COM(2011)0105	10/03/2011	Summary
Follow-up document	C(2011)6207	05/09/2011	

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Decision 2006/0500 OJ L 198 20.07.2006, p. 0015-0037	Summary

Energy Community Treaty: conclusion

2005/0178(AVC) - 29/05/2006 - Final act

PURPOSE : to conclude the Energy Community Treaty.

LEGISLATIVE ACT : Council Decision 2006/500/EC on the conclusion by the European Community of the Energy Community Treaty.

CONTENT : the Council adopted a decision approving the Energy Community Treaty aimed at creating an integrated market in natural gas and electricity in South-East Europe. The treaty was signed by the EU and nine countries of South-East Europe - Albania, Bulgaria, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro, Romania, Serbia and the United Nations Interim Administration Mission on behalf of Kosovo – in Athens on 25 October 2005.

More specifically, the Treaty will create a stable regulatory and market framework capable of attracting investment in gas networks, power generation and transmission networks, so that all Parties have access to the stable and continuous gas and electricity supply that is essential for economic development and social stability.

It enables a regulatory framework to be set up, permitting the efficient operation of energy markets in the region, including issues such as congestion management, cross-border flows, power exchanges and others. It therefore aims at promoting high levels of gas and electricity supply to all citizens based on public service obligations, and achieving economic and social progress and a high level of employment.

In special circumstances such as the event of disruption of network energy, security of supply needs to be ensured in the Energy Community. The mutual assistance mechanism of the Energy Community Treaty can help to mitigate the consequences of the disruption, in particular in the territories of the Contracting Parties within the meaning of that Treaty.

It should also be noted that the Energy Community Treaty enables interested adjoining States such as Moldova to become observers to the Energy Community.

In 2009, the Commission shall submit to the European Parliament and to the Council a report on the experiences gained from the implementation of this Decision, accompanied, if appropriate, by a proposal for further measures.

Lastly, this Treaty is concluded for a period of 10 years from the date of entry into force. The Ministerial Council, acting by unanimity, may decide to extend its duration. If no such decision is taken, the Treaty may continue to apply between those Parties who voted in favour of extension, provided that their number amounted to at least two thirds of the Parties to the Energy Community.

ENTRY INTO FORCE : this Treaty shall enter into force on the first day of the month following the date on which the European Community and six Contracting Parties have notified the completion of the procedures necessary for this purpose.

Energy Community Treaty: conclusion

2005/0178(AVC) - 17/10/2005

The Council adopted a decision on the signing of the Energy Community treaty which will take place on 25 October in Athens. The Council will adopt a decision on the conclusion of this treaty at -a later stage after having received the assent of the European Parliament.

The objective of this treaty is to create an integrated market in natural gas and electricity in South-East Europe between the European Community and countries of the region.

Energy Community Treaty: conclusion

2005/0178(AVC) - 09/12/2005 - Legislative proposal

The Council adopted joint guidelines and agreed to send a request for assent to the European Parliament with regard to the draft Council Decision on the conclusion by the European Community of the Energy Community Treaty (please refer to the former initial proposal dated 14/09/2005).

The Treaty was signed in Athens on 25 October 2005 by the EU and Albania, Bulgaria, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Romania, Serbia and the United Nations Interim Administration Mission in Kosovo (pursuant to United Nations Security Council Resolution 1244) with the view to establishing an Integrated Energy Market Organisation in South East Europe.

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.

Energy Community Treaty: conclusion

2005/0178(AVC) - 18/05/2006 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Giles **CHICHESTER** (EPP-ED, UK), giving its assent to the conclusion by the European Community of the Energy Community Treaty.

Energy Community Treaty: conclusion

2005/0178(AVC) - 10/03/2011 - Follow-up document

The Commission presents a report on the experiences gained from the implementation of Council Decision 2006/500/EC on the conclusion by the European Community of the Energy Community Treaty. The report reviews the achievements of the Energy Community and its main challenges for the future.

It is recalled that the Energy Community is based on a Treaty signed between, on the one hand, the European Union and, on the other hand, the following nine Contracting Parties: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Montenegro Serbia, Ukraine and UNMIK. Fourteen European Union Member States have moreover a special bond with this organisation, reflected in their status as "participants" in the process

(Austria, Bulgaria, Cyprus, the Czech Republic, France, Germany, Greece, Hungary, Italy, the Netherlands, Romania, Slovakia, Slovenia and the United Kingdom). To date, Georgia, Norway and Turkey have the status of Observers.

By joining the Energy Community, the Contracting Parties committed themselves to an ambitious project that demanded a huge effort in terms not only of legislative work, administrative capacity and resources, but also of political and social perception.

A success story: the report concludes that after 4 years of existence, the Energy Community has grown into a mature organisation, which provides a solid institutional framework for cooperation, mutual support and exchange of experiences and therefore serves as a model for regional cooperation on energy matters.

The Energy Community has highlighted the advantages for the Contracting Parties of following a regional approach, compared with the traditional bilateral relations with the European Union. It has proved that, independently of the prospect of future accession to the European Union, Contracting Parties can already benefit in the short term from the advantages of the EU internal energy market. The Commission considers that the progress made so far indicate that the Energy Community is called to extend its existence beyond 2016.

Main challenges: while recognising the considerable efforts made by the Energy Community so far, especially from the institutional perspective, the Commission is aware of two key areas where there is room for improvement.

a) Implementation of the acquis and enforcement of the rules: despite intensive legislative work, the first level of ambition – the existence of open, transparent and competitive national energy markets in all Contracting Parties – has not yet been completed. Bridging the existing gap between theory (political commitments) and practice (full implementation of the Energy Community acquis and enforcement of the rules adopted) remains the main challenge, and the key question is how to prompt Contracting Parties in the region to apply and enforce the rules.

Formal transposition of the "Energy Community acquis" cannot be an end in itself, but must be a means to achieve the objectives of the rules. The goal is to create a true energy market, starting by reforming of the existing system of regulated prices and blanket subsidies. Setting realistic objectives and realistic deadlines will help to avoid situations of lack of compliance, as will appropriate accompanying provisions that duly take into consideration the profile and needs of the Contracting Parties.

b) Promoting investment: the Energy Community has succeeded in identifying a number of priority projects of strategic importance for the region, which were endorsed by the Ministerial Council in 2010, whereby precedence is given to projects facilitating cross-border exchanges. The current insufficient interconnection capacity is indeed an obstacle to developing regional markets.

The Energy Community has helped the Contracting Parties attract significant public financing, be it from bilateral donors (e.g. KfW or USAid) or from international financial institutions (e.g. the EIB, the World Bank or the EBRD).

Despite the high level of funding from international financial institutions in the region, the level of private investments remains relatively low. Reasons for that include the unreliable implementation of the regulatory framework and the small scale of national markets. However, the biggest challenge still appears to be the failure of governments to restructure regulated end-user prices and the associated implicit and explicit subsidies on all energy markets.

Next steps : on the basis of the report, the Commission intends to contribute to achieving the goals of the Energy Community, as follows:

- promote **changes in the working methods** of the institutions and bodies of the Energy Community, including organisation of ad hoc meetings at Ministerial level on specific priorities related to the fulfilment of the objectives of the Energy Community;
- proactively prompt the implementation and effective enforcement of the rules;
- promote the implementation of the Third Internal Energy Market Package and of the Directives on Renewables and Energy Efficiency as a means to speed up the full integration of the Energy Community in the single European energy market; and consider the inclusion of further acquis to promote the de-carbonisation of the energy sector;
- promote **appropriate investments** in the region by means of adoption of a coherent investment strategy that takes into consideration in particular the infrastructure needs of the energy sector, the necessity to decarbonise the energy supply, the impact of energy savings and the potential for development of sources of renewable energy, and

- promote the implementation of the Memorandum of Understanding on Social Issues.