

There are already several examples of regional collaboration underway in South East Europe - but also considerable scope to further strengthen these approaches.

#### Energy Community

In cooperation with the European Union, countries of the former Yugoslavia, Albania, Moldova and Ukraine have signed the Energy Community Treaty of 2005. The Energy Community is an international organisation dealing with energy policy issues established between the European Union and a number of third countries to extend the EU internal energy market to South East Europe region and beyond.

The Energy Community is an organisation which can play a key role in fostering closer energy policy cooperation in the EU neighbouring states based on binding commitments of its members to implement the EU energy acquis and liberalisation of the energy markets to attract investments.

In October 2012 the Energy Community members committed to binding renewable energy targets for 2020 pursuant to the EU's Renewable Energy Directive. In 2013, the countries introduced National Renewable Energy Action Plans (NREAPs) which will commit them to attain higher shares of energy from renewable sources in gross final energy consumption by 2020, in a similar way as neighbouring EU Member States prepared as part of the delivery mechanism of EU's 20:20:20 energy and climate framework. Collectively, current and former Energy Community members are planning to increase their renewable electricity generation by 42.6 billion kilowatt-hours between 2009 and 2020.

At the core of SEE's power system plans for 2020 are the Projects of Energy Community Interest (PECIs). These include priority projects for both generation and transmission. By definition, PECIs must have an impact on at least two Energy Community countries, enhance socioeconomic welfare, enhance market integration, increase competition, enhance security of supply, and contribute to energy and climate goals. The list of PECIs is to be updated every two or three years. The current list of electricity PECIs includes 14 renewable energy plants, or groups of plants, and 9 electricity transmission infrastructures. The PECIs will require more than €2.3 billion investment for renewable generation projects and €683 million for transmission projects.

The investment framework for the PECEI projects is still under development although several mechanisms have been proposed as potential sources of financing (Western Balkan Investment Framework, Project Bonds, Risk sharing facilities, Long term guarantees).

#### ENTSO-E Regional Group

The ENTSO-E Continental South East (CSE) regional group includes TSOs of Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Italy, Greece,

FYR of Macedonia, Montenegro, Romania, Serbia and Slovenia. It publishes a bi-annual Regional Investment Plan as part of the Ten Year Network Development Plan process, and identifies transmission links of regional and European interest. In 2012, its Regional Investment Plan identified the need for €10.8 bn investment in the region by 2020. However, while the European Commission, Energy Community and ENTSO-E provide a good lead for coordinating some aspects of the energy policies in the region, overall the region lacks sufficient coordination in developing national energy strategies. Further, the region doesn't have a common voice in the EU institutions since the countries have different status regarding their European integration.

There are several areas in which deepened regional collaboration could be beneficial for both Europe and the South East Europe region. Across Europe regional collaboration is emerging as a key element for effective policy implementation and for timely delivery of the economic, security and climate benefits from the integration of energy markets and infrastructure.

The European Commission should appoint a high level 'European Coordinator' to kick-start regional energy market collaboration in the South East Europe region. The Coordinator should convene a high-level political dialogue to help set an overall strategic direction for increasing integration, trade and security in the region. In line with the evolving EU 2030 framework, such a dialogue could identify areas for collaboration on smart grid and interconnection development, renewables trading, accelerating energy efficiency, and managing energy demand.

Ongoing regional collaboration could focus on future infrastructure development needs to respond to a changing power system, in the model of the Baltic Energy Market Interconnection Plan and the North Seas Countries Offshore Grid Initiative. Regional initiatives can capture the value of resource sharing while continuing to reflect differing national circumstances. They need a clear institutional mandate in order to succeed. This would give the region a stronger voice in the Projects of Common Interest process as well as helping to address shared challenges.

>Including non-EU countries in political dialogues and future regional activities for power trading and infrastructure development is a way to further increase power markets' interconnectivity and deepen regional collaboration and security. The growing need for electricity of non-EU neighbouring countries, such as Turkey and the North African Countries, represents a significant opportunity for the SEE region to export electricity and stimulate new investment.

>Technical collaboration on market integration could strengthen the regional market, help

boost competitiveness and increase regional security. Sharing best-practice is an important way of initiating a regional dialogue among stakeholders. There is large yet untapped potential for innovation, especially in managing demand side responses and distributed generation. This will require both new products and new business models.

>Successful delivery of new infrastructure networks will require overcoming the financing challenges of building infrastructure at scale, including financial capacity and organisational capacity limitations. This means attracting new sources of investment to the sector, and recognition of the risks associated with cross-border working. There is a strong role for regional collaboration in jointly addressing the financing challenge.