



CEEP
Central Europe Energy Partners

REPORT

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4th Annual Energy Summit '29+1'

CEEP MEMBERS CALL FOR AN ENERGY UNION BASED ON A DIGITAL ECONOMY

During the first three events in Budapest, Vilnius, and Bucharest, the '29+1' summits have successfully established a tradition that brings together a distinguished and knowledgeable group of decision-makers to discuss the major challenges and opportunities in the field of energy policy. This year's topic, 'Energy Meets Digital. Digital Economy: a Technology Driver for an Energy Union', focused on the game-changing interaction between the energy and digital realms.

The Summit took place on June 15th and 16th in Warsaw. On the first day, a high-level dinner in the Royal Palace on the Water was organised, attended by key players from energy and energy-intensive industries from Central Europe, Polish Parliamentarians and governmental officials. Top level guests from the EU, Günther Oettinger, European Commissioner for Digital Economy and Society, and Klaus-Dieter Borchardt, Director for the Internal Energy Market at the European Commission's DG Energy, gave keynote speeches on their visions of Europe's energy market and the necessity of digitalisation to harmonise and create one compatible, concise system. The speakers were introduced by Paweł Olechnowicz, President and Chief Executive Officer of Grupa LOTOS and President of the Board of Directors of CEEP, who inspired the debate on the need to



Prof. Dr. Friedbert Pflüger (sitting at the table), Mr. Günther Oettinger and Mr. Paweł Olechnowicz (standing).

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connect the forces of energy and digital innovation to achieve a powerful synergy.

The second day, with the setting of the Presidential Palace for the main debate, also provided a historical backdrop to discuss such topical issues as the Energy Union and technological changes in the energy sector, including digitalisation. Prof. Dr. Friedbert Pflüger, Director of the European Centre for Energy and Resource Security at King's College London, moderated the debate for the participants, who were mainly from the energy and energy-intensive industries. Andrzej Czerwiński, Poland's new Minister of the Treasury, joined the debate immediately after his official swearing-in ceremony. The meeting was organised under the Chatham House Rule. This gave participants the freedom to express their opinions and judgements, however controversial they could be.

Warsaw proved to be a perfect place for a fruitful discussion between Central European energy companies and the European Commission. Jacek Michałowski, Head of the Chancellery of the President of Poland, underlined the country's extraordinary geopolitical situation and strong support for energy integration in Central Europe. Hence, in recent years, Poland has initiated and backed efforts to develop regional co-operation in the energy field within the



V4+, and also worked to reinforce the importance of security of supply as the key objective behind the EU's energy policy. This has brought tangible results in the form of new EU regulations, financial instruments, and interconnectors, through which, it is possible to quickly achieve full integration of electricity and gas markets in the region. The collective group of energy security, solidarity, and trust has become one of the

pillars of the Energy Union, which has to be strengthened by digitalisation.

It is clear that without an active Digital Economy Policy, we would not be able to stand-up to the ultimate challenge of the EU's Internal Energy Market: to deliver required, uninterrupted amounts of energy, on time, and without failing, to all markets, countries, and citizens of the EU. Klaus-Dieter Borchardt emphasised that for this to work properly, a two-fold approach is needed. We need regional (rather than national) solutions, as well as cross-sectorial (rather than one-branch only) perspectives. Energy infrastructure should be strongly combined with science and innovation, as there is no reliable energy network, without an equally reliable digital system. Only then, can the entire energy system, which is presently made up of a largely separate set of 28 markets, be safe, secure, and competitive.

European funds will be vital in the process of challenging insufficient technological innovation and infrastructural connectivity, which is especially a burden upon countries from Central Europe. That is why the Summit participants welcomed the establishment of the Connecting Europe Facilities (CEF), as well as the European Fund for Strategic Investments (EFSI). Günther Oettinger stressed that the financial

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thrust from the European funds can lead to multiple investments, which will secure the implementation of the necessary technological innovation and digital transformation of the energy industry. Particular attention should be paid to the resilience of the energy market, and its growing dependency on management through IT. More robust solutions, such as re-visiting industrial systems' security procedures and developing effective prevention, are absolutely needed.

The '29+1' Summit provided an opportunity for the repre-



Polish Minister of Environment, Maciej Grabowski and Prof. Dr. Friedbert Pflüger, Director of the European Centre for Energy and Resource Security (EUCERS), King's College London, during the high-level dinner in the Royal Palace on the Water.

sentatives of Central European energy companies to come together and voice their interests. They stressed that whilst energy constitutes the backbone of the European economy, unfortunately, integration of the EU-11 in the energy field with the EU-15, is not keeping pace. That is why, as was pointed out by Paweł Olechnowicz, Chairman of the Board of Directors of CEEP, the region's future economic development depends on the implementation of an affordable energy and digital infrastructure. To firmly and cost-efficiently interlink the whole European Union, a North-South Corridor, with energy pipelines, power lines, highways, railways, and telecommunication grids, is urgently required. The Corridor is also essential for successful participation of the region in the global economy, along with the effective dealing of cyber-threats.

Heiko Ammermann, from Roland Berger Strategy Consultants, urged that the North-South Corridor must not become one of Europe's many ambitious plans, which have little chance of ever becoming reality. He presented an executive summary of a policy paper that set out to answer the fundamental question: how can we make it happen? The analysis looks at specific energy transmission projects, which jointly constitute the backbone of the Corridor. It proposes a roadmap to achieving significant progress with the Corridor, by implementing key projects by the end of the decade. The steps foreseen by this plan, include the establishment of a regional co-ordination platform that would monitor the overall vision of the Corridor, support project development, financing and technical planning, and also facilitate the fulfilment of projects that are critical for security of supply, but feature

less favourable business cases.

Technological innovation and the digitalisation of industry are indispensable driving forces behind a successful realisation of the North-South Corridor and Europe's Energy Union. Nowhere is the impact of IT on energy and energy-intensive sectors more evident, than in energy infrastructure development, use, and protection. Energy infrastructure, in turn, conditions the functioning of the European energy markets, soon to be transformed into a single Internal Energy Market, and the effective implementation of all the pillars of the Energy Union's policy. During the discussions, it was noted that IT is ever present in the energy sector, controlling and running systems and industrial equipment that produce, process, transport, and deliver energy to the market. It is also responsible for the safety of the energy generation process, and serves as the backbone of emergency and crisis management responses.

As a result of the meeting, the Warsaw Memorandum (see page 4 and 5), which reflects the key issues of the discussion and expectations of the energy and intensive-energy industries from Central Europe, was signed and handed to Commissioner Oettinger. 



Jan Jujeczka
CEEP Media Spokesperson

Warsaw Memorandum

Following three successful editions of the Energy Symposium '29+1' in Budapest (2012), Vilnius (2013), and Bucharest (2014), we came together for the fourth time with EU Commissioner Günther Oettinger in Warsaw to discuss matters most relevant to the energy and energy-intensive industries.

As representatives of companies in this sector from Central Europe, we welcomed the opportunities provided by the '29+1' Summit in Warsaw, where – in the context of the technological innovation in and digitalization of the energy industry as driving forces of our time – we considered the ambitious plans for a European Energy Union, with particular emphasis on the role of the North–South Corridor.

We are convinced of the need for a thorough and intensive public debate that can contribute to actively shaping these plans. However, we need to focus on the Central European states, and assess their possible impact on the European economy, including the development of industry, competitiveness, and the security of supply.

As participants in the Summit, we entered into a comprehensive exchange of findings and views with the European Commissioner for Digital Economy and Society, Mr. Günther Oettinger, and consider the following to be of utmost importance for the further deliberations of the Council of the European Union, the European Parliament, and the European Commission:

1. Energy constitutes the backbone of the European economy. Still, integration in this field is not keeping pace with the increasing interdependence of our economies – insufficient technological innovation and infrastructural connectivity is especially a burden upon Central European countries. Only the creation of an Energy Union and the integration of energy and digital networks, through the completion of a single European market, will ensure that the European Union can remain globally competitive whilst pursuing its goals of energy security, affordability and environmental awareness.
2. For the completion of the internal energy market, Europe needs to abolish “energy islands” by improving and digitally integrating the infrastructure necessary for the transportation and trade of gas, oil and electricity between member states and Energy Community Contracting Parties through the development of the North–South Corridor and expanding the network of West-East connections.
3. The North–South Corridor, considered to be a critical infrastructure project of common interest within the Juncker Plan, is an essential element for firmly and cost-efficiently inter-linking the energy and digital infrastructure of Central Europe between the Baltic, Adriatic and the Black Seas, as well as connecting it to Western Europe. This will promote the participation of the region in the future global economy whilst also improving the capacity of our countries to deal with cyber-threats.

4. The European Energy Union does not only have a technical role to achieve these goals through the completion of the internal market, but will also strengthen the idea of energy solidarity within the Union and thereby enhance the energy security of Europe.

5. Considerations regarding the climate and environment remain an essential part of European policy. They need to be balanced against economic policies that sustain development. While CO₂ reduction targets are necessary, these policies need to take financial and societal costs into account and be implemented at a global level. Affordable and competitive energy prices should be achieved by the implementation of a sustainable and climate-friendly economy based on a reasonable energy-mix consisting of affordable indigenous energy sources, including fossil fuels.

6. For the Trans-Atlantic Trade and Investment Partnership (TTIP), the European Energy Union in general, and the North-South Corridor in particular, represent critical infrastructure that maximises the benefits of the TTIP and thereby offers Europe an additional diversification option for its energy supply.

7. The price of energy remains essential for both maintaining the European international competitiveness and securing a return on investment (ROI) that incentivises infrastructural development through market mechanisms. In relation to the United States, it is essential for Europe to assert itself in this

Warsaw Memorandum

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domain – the most effective path in doing so is undergoing a digital transformation.

8. Digital transformation and technological innovation of the energy industry can bring a major improvement in structural growth conditions in Europe, without putting additional pressure on prices. Innovative technologies and gains in efficiency can help reduce costs and increase competitiveness for European energy and energy-intensive businesses. For this purpose, the development of the energy infrastructure, and the expansion of digital communication networks that can secure the necessary ‘quality of service’, is of the essence.

9. The emerging smart grids and smart cities represent symbiosis of energy and digital. They already offer consumers countless benefits with many more to come. For businesses and economies, they can promote innovation and reclaim Europe’s competitive edge in both the energy and digital sector world-wide, while spurring economic growth and job creation. We should not allow digital technologies in this field from non-EU countries to crowd out European products. Promoting the digital management of energy is the key to increasing efficiency. Traditional energy producers and decentralised sources should be consolidated into virtual power plants and performance data can be analysed in order to enhance and improve the system’s effectiveness.

10. While the digital transformation has bright perspectives for the energy sector, technological innovation needs to be carefully evaluated based on its merits, and implemented according to its commercial value.

Our future economic development rests on the implementation of a capable energy and digital infrastructure; eradication of the existing shortcomings along the North–South Corridor needs to become a priority in order for the region not to be deprived of the growth opportunities from the global marketplace. Therefore, we welcome the establishment of the European Fund for Strategic Investment that, within the next two years, will disburse 315 billion euros in additional investments into, among others, a competitive, secure and sustainable energy infrastructure. This financial impulse can lead to multiple investments that will secure the implementation of the necessary technological innovation and digital transformation of the energy industry, as well as the infrastructure of the North–South Corridor.

Recommendation: We propose the establishment of a North–South Corridor Platform aimed at bringing together the relevant actors, in a setting suitable to develop solutions for the most pressing financial and project implementation issues, whilst promoting a regulatory environment that facilitates investment into the corridor and makes it a main pillar of the Energy Union. 

5th CEEP Annual Members’ Meeting

On the 16th of June, CEEP held its Annual Members’ Meeting at the Hotel Bristol in Warsaw. The meeting was presided over by Mr. Paweł Olechnowicz, Chairman of the Board of Directors, who announced the meeting as properly convened and authorised to make legally-binding decisions.

During the meeting, an Annual Review was presented, outlining CEEP’s activities for the year, 2014, and up to May, 2015. The review reveals a comprehensive list of the key issues and challenges, which CEEP tackled during this period. A Media Coverage Report (January-May) was also presented, where one can find numerous media publications related to CEEP’s actions. Additional information can be found on CEEP’s website, where we have published our Annual Review (January 2014 – May 2015).

Topics which need to be dealt with by the end of the year were also detailed by Mr. Olechnowicz, as well as by the CEO, Mr. Janus Luks. Mr. Olechnowicz underlined that the energy union proposal has become one of the central themes for the energy debate in Brussels, and upcoming legislative proposals have indeed been very challenging for the European Union. Some of the most important issues, apart from the Energy Union, include: Climate Change (COP21), CO₂ emissions, TTIP, LNG, the North-South Corridor, etc.

After approving the statutory financial statements for the last fiscal year and accepting the year-ending holding of office of the Board of Directors, and due to the expiry of the five-year tenure by the Board of Directors, a new Board was elected in a secret ballot.

Before the ballot was conducted, Mr. Olechnowicz expressed his special thanks and appreciation to all members of the Board of Di-

5th CEEP Annual Members' Meeting

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rectors for the previous term (2010-2015), for their hard work in CEEP's formative years, and their support, leadership and personal contributions to the success of CEEP's activities.

The new BoD, elected for the period: 2015-2020, consists of the following:

- Paweł Olechnowicz
- Jarosław Zagórowski
- Prof. Tadeusz Słomka
- A representative of Kulczyk Investments (to be appointed later on).



According to the procedure, the newly-elected Board unanimously entrusted Mr. Paweł Olechnowicz with the position of the Chairman of the Board of Directors. 



Jakub Przyborowicz,
Co-ordinator of European Institutions' Affairs

CEEP's Olechnowicz: "Central Europe should jointly negotiate for US LNG"

"A win-win situation lies ahead for Europe and US, if LNG trade is started between the two powers", claimed Paweł Olechnowicz, CEEP's Chairman of the Board of Directors, during an interview with Natural Gas Europe, adding that a LNG contract should remain flexible, and last no more than three years. In the interview, he also advocated the need for a platform to be established, through which, countries in Central-Eastern Europe could jointly negotiate gas contracts.

Q: Central Europe Energy Partners (CEEP), together with LNG Allies and A.T. Kearney, organised the first Europe-US LNG Roundtable. What is your position on US LNG coming to Europe. Do you see it as likely? Will LNG come to Europe or go to Asia?

The LNG issue is part of a broader energy action programme. Central Europe Energy Partners, as a think tank, is focused on energy security and energy efficiency in Central Europe. We believe both of these – security and efficiency – may not be achieved without the proper infrastructure. That is why we recently launched the 'Completing Europe' report, in Istanbul in November, 2014. It argues that energy, transportation and telecommunications challenges



for the eleven countries in Central Europe are very much connected with infrastructure.

We strongly advocate a holistic approach to that challenge. We believe the key to the continent's energy security is the North-South Corridor that would integrate the different, and still largely separate, economies between the Baltic, Adriatic and Black Seas. In this context, we are not calling for money, but for a stronger partnership in Europe. We need common positions for further developments to tackle the weaknesses of Europe, and a common 'voice' to strategically play together.

CEEP's Olechnowicz: "Central Europe should jointly negotiate for US LNG"

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Indeed, LNG is crucial in this plan, as in the field of gas, Europe is still overly dependent on a single supplier. This has already started to change, with Norwegian gas playing a more important role in the market. The trading alliance with the US would definitely strengthen this process. The US is becoming a gas heavyweight and could become Europe's strategic gas partner.

Q: You are basically saying that Europe could also pay slightly higher prices for US LNG, with respect to what it pays existing suppliers, as it would have positive ramifications with Europe then having a stronger bargaining power?

The more players we see in the European gas market, the more competition we have. This definitely influences prices in a positive way. I believe that the only way to make the European market both more efficient and resilient is through competition. So far, therefore, we have not even started to discuss prices, focusing rather on administrative and legislative actions that need to be addressed, to facilitate the transatlantic gas trade. At this point, our role is to effectively find new sources of supply. I am sure the market will take proper care of prices.

Q: In this context, my question is: why would US LNG come to Europe? Why should it not go to Asia, where gas prices are higher?

It is a strategic issue. We see that there is a strong potential for a win-win situation, in which American companies acquire stable business partners, and European consumers benefit from more diversified and competitive energy markets. That is why we would like to convince the US that their gas would help us all to strengthen our transatlantic alliance.

Yet, before that, we need to enhance our LNG receiving and gas pipeline infrastructure. This process has already started, with Lithuania recently commissioning its LNG terminal, whilst Poland will soon have one. Investment programmes – including the North-South Corridor from Poland, via the Czech Republic, Slovakia, and Hungary, to Croatia, Bulgaria, Romania, and Ukraine – will allow us to have a network that can allow diversification in the whole region. That is also important for the US, as it broadens and secures the demand base for its' resources.

Q: You touched upon important points. Obviously, infrastructures are important, and you need gas supplies for these infrastructures. Do you think that long-term LNG contracts would bring about the right price signals to convince American companies to prefer European customers?

Long-term contracts, ranging from 5 to 15 years, are rather history. For me, long-term gas contracts should last a maximum of three years. We need to build up a network of Central European companies interested in importing LNG from

the U.S. They could team up and create a platform to negotiate common contract periods and prices for gas, which would be delivered to different clients in various European countries. These negotiations should be based on the changes occurring in the market.

We have to create a partnership model that takes into account and foresees unexpected, but potential events, such as military actions or weather conditions. We cannot allow such events to impact on our energy markets. So, this trading group should take into account possible disruptions, and negotiate with the American companies, on ways to secure gas based on market conditions. In this sense, we should strike the right balance between our energy security and American needs, in terms of pricing.

Q: Your stance is that Central European countries should recognise their common positions, and define their mutual regional interests, in order to converge those interests into one single 'voice'. Then, the countries should share their expertise, to increase their ability to negotiate, and, in doing so, attract LNG at the lowest possible price. Am I correct?

Absolutely. This would allow us in Europe to obtain the lowest feasible price, which might be competitive with existing contracts.

Q: I see your point, and I think the initiative is well-thought

CEEP's Olechnowicz: "Central Europe should jointly negotiate for US LNG"

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and well-designed. However, I can also see some problems in this strategy. For instance, let's imagine that Gazprom – which maintained high prices over recent years – decides to decrease its' prices. Its gas would then become cheaper than the U.S.'s LNG. We saw what happened in Lithuania with the Klaipėda LNG terminal, which brought about lower natural gas prices, as it increased Vilnius's bargaining power. Gazprom partially adapted to the new market conditions, and its gas then became cheaper than the liquid gas delivered to the LNG terminal. That duly raised some concerns among several companies, claiming that they were basically forced to buy gas from Klaipėda, when Gazprom's gas was then the cheaper option for them. In other words, I see some problems with the Russian ability to be flexible enough to be competitive in different market conditions. Do you foresee that Gazprom could easily push competitors out of the market?

Russian pricing strategy is always hard to foresee. However, I am not sure whether Russia would be willing to make its gas cheaper than the US's LNG, at all costs. Even if they did, how long would they be able to subsidise their gas production? That is not the point. Let me clarify the issue: we do not wish to eliminate Russian gas from our market. We welcome it as an important supplier. Our aim is to be more diversified, and not to change one dependency for another.

Q: At the beginning of the interview, you mentioned tele-

communications and technology. Don't you think that Europe should strive to achieve independence in other fields as well? In other words, should Europeans try to decrease their technological dependence, not only in the energy sector, but also in the telecommunication and IT sectors?

I agree 100%, and this has already been placed on the negotiation table. The EU and the US are discussing these issues quite extensively. In the energy sector, for example, innovative technologies apply also to the coal industry.

Q: Speaking about the development of shale gas in Poland, what is your view on this?

We have started with a strong focus on legislation. It took the government and industry some time to draft a framework which would be attractive to investors. We are still working on it, but it takes time. In the US, they started working on it in 1975.

Q: You have two backgrounds: one is economic, and the other is in engineering. According to your perspective, what is the major hurdle for shale gas developments in Poland: is it an economic or an engineering-based one?

Both factors come into play here. Developments need money, whilst investments for the exploration phase do not come without risk. That is why Poland should be economically strong in order to create a budget and attract investors to the country. The country should work on a legislative

framework, as well as incentives for the industry to decrease the engineering risks.

Q: To conclude, Federica Mogherini declared that the results of the presidential election in Poland and the local elections in Spain sounded 'alarm bells'. The High Representative of the European Union for Foreign Affairs and Security Policy said that the two elections are eye-openers. She argued that European institutions should "re-think their project, and make it more coherent with the needs of all the countries". What's your view on this?

We have to respect voters. They expressed their need for a change. I do not think there will be any negative ramifications on Poland's ties with Europe. In my opinion, 25 years after the fall of communism, we are wise enough not to damage our key relationships. We have to be ready for changes. What will they look like? Only time will tell. 

Sergio Matalucci
is an Associate Partner at Natural Gas Europe.

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LNG: Joint Position Paper

A first Europe–US LNG roundtable took place in Brussels, on the 27th and 28th of May. The aim was to create a platform for an exchange of ideas between partners from the U.S. and Europe, on how expanded trade in natural gas between them could benefit both sides of the Atlantic, and contribute to greater fuel diversity and energy security in Europe. As a result of this first meeting, this joint position paper was agreed by CEEP and LNG Allies. 



Joint Position of Central Europe Energy Partners and LNG Allies

Europe-US LNG Roundtable I

Brussels, 27-28 May, 2015

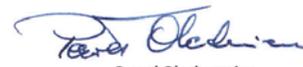
Transatlantic LNG trade is based upon commercial agreements. Governments in the United States and Europe cannot compel such trade. Nevertheless, their decisions are very important. The participants in the Europe-US LNG Roundtable make the following recommendations:

To European Decision-Makers:

- Market Integration.** *Completing Europe* — the report released recently by Atlantic Council, Central Europe Energy Partners (CEEP) — contains suggestions for the construction of new energy infrastructure to connect Central European nations to each other and the rest of the European Union. Natural gas pipeline interconnectors are among the most urgently needed infrastructure. *Decision-makers should create a favorable climate that such pipelines are built, including LNG import infrastructure.*
- Buyers.** Voluntary, market based joint business initiatives can pool end-use gas demand to find balance between pricing, flexibility, risks, and sourcing approaches, consistent with all competition law requirements. *Decision-makers should keep facilitating discussion among business representatives who will try to find optimal business vehicles for potential LNG import to Europe from the United States.*

To US Decision-Makers:

- Regulatory Environment.** LNG export project developers must obtain a license to construct their facilities from the Federal Energy Regulatory Commission (FERC) or the Maritime Administration (MARAD) and then a license from the Department of Energy (DOE) to export the gas. Although the FERC / MARAD processes are predictable, they are also expensive and time consuming. *In light of the numerous newly submitted LNG export applications, decision-makers should work closely with developers to ensure that regulatory reviews continue to proceed expeditiously.*
- Export Licenses.** Under US law, the export of natural gas to nations that have free trade agreements (FTAs) with the United State are automatically deemed “in the public interest” and must be approved without modification or delay. Exports to nations without FTAs are “presumed” to be in the public interest unless DOE determines otherwise. *Decision-makers should embrace timely regulatory and legislative opportunities to effectively enable the liberal export of LNG to European partners, all of which are currently non-FTA nations.*



Pawel Olechnowicz
Chairman of the Board of Directors
Central Europe Energy Partners



Fred H. Hutchison
Executive Director
LNG Allies

CEE players mull LNG buyers' club

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Central European oil and gas companies are looking to emulate their Asian counterparts by forming an LNG buyers' club. Industry group Central Europe Energy Partners (CEEP) expects to table a proposal for the common purchasing of LNG by September this year, its Deputy Chief Executive, Marcin Bodio, told Interfax.

Bodio said CEEP was in the process of gauging interest among energy importers in Central Europe on whether to jointly import LNG under the same contractual terms. "This is a business initiative," Bodio informed Interfax at a CEEP press briefing in Brussels. "We will define the level of interest among companies this autumn."

The idea of companies teaming up to increase their purchasing power has already taken off in Japan, where Tepco and Chubu – two of the country's largest utilities – recently created a joint venture to buy LNG.

Bodio asserted that the initiative should not be confused with the European Commission's proposal of a single purchaser of gas for EU Member States. A private initiative or consortium to jointly import LNG may not need clearance from EU and World Trade Organisation competition laws, which is the case with single purchasing between Member States.

He further claimed that LNG imports from the United States could play a crucial role in diversifying supply in Central Europe. Although some EU Member States currently receive all their gas from Gazprom, "U.S. LNG could be competitive with Russian gas," he added.

However, export restrictions in the U.S. are holding back progress. The restrictions may be lifted under the Transatlantic Trade and Investment Partnership (TTIP), which is currently

being negotiated between the EU and U.S. The U.S. Congress may also lift the export restrictions, independently from TTIP, if there is enough political support. Bodio significantly pointed out there were no export restrictions on US coal coming to Europe, and that he was hopeful this would soon be the case for gas and crude oil. He also remarked that: "Germany is now one of the biggest importers of U.S. coal – not only in Europe, but the world."

Less scepticism

Scepticism in the U.S. towards hydrocarbon exports is waning because of an abundance of resources following the shale boom, Erik Milito, group director for upstream operations at the American Petroleum Institute (API), proclaimed to Interfax at the event.

"I think the debate over U.S. LNG has taken a new tone," suggested Milito. "Two years ago, you would not have heard many people in Congress looking positively at LNG and crude exports. However, we have so much gas that exports will not impact on domestic prices." As Henry Hub prices in the U.S. are at historic lows, producers in the country have strong economic incentives to export LNG – especially to Asia, where prices are highest.

"The U.S. is at risk of losing economic opportunity and the ability to solidify its role as a global leader in energy production, unless the government moves to approve LNG exports," Rob Franklin, President of ExxonMobil's gas and power marketing division, outlined in a speech in New York in April.

"If policymakers don't revisit and redress some significant legal and regulatory problems, then the US could be left behind, during one of the great historic developments in global en-

ergy and trade," he warned.

Brussels is hopeful the TTIP negotiations can be concluded by the end of this year, but many see this as overly optimistic. A controversial investor-to-state dispute settlement chapter is one of many stumbling blocks to overcome, before the deal can be finalised. The ninth round of the TTIP negotiations concluded in New York in late April, but delivered no concrete results on the energy chapter.

Despite public scepticism, the TTIP has broad support within the EU's institutions. MEPs in the European Parliament's Trade Committee stated in a draft recommendation adopted on the 28th of May, that the TTIP should abolish "any existing restrictions or impediments of export for fuels, including LNG and crude oil". "The TTIP deal should include a specific energy chapter, to help maintain the EU's environmental standards and climate action goals," the report recommended.

The Commission is expected to unveil a proposal for a European LNG strategy this winter. Brussels sees LNG imports as a key tool to reduce dependence on Russian supplies. "We have to reduce our exposure to geopolitical risks," the EU's Climate and Energy Commissioner Miguel Arias Cañete told delegates at a conference in Dublin in April. "As the stress tests have shown, too many countries in the EU are 100% dependent on Russian gas."

"We need to put Europe back on the market when it comes to LNG," Cañete declared. "We will work to reduce obstacles to LNG imports from the US." 

Andreas Walstad
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The Energy Charter and its implications for the EU's Energy Union



Mark Dierikx, Director-General "Energy, Telecom and Competition", Ministry of Economic Affairs of the Netherlands; Patrice Dreiski, Senior Expert, Outreach and Expansion, Energy Charter Secretariat; Maroš Šefčovič, Vice-President of the European Commission, in charge of Energy Union

May 20th, 2015, was a historic day for international energy co-operation. After many years of planning, discussions, diplomatic effort and, finally, negotiation, the International Energy Charter was adopted at a Ministerial Conference in The Hague.

The International Energy Charter of 2015 is intended to ad-

dress the most salient energy challenges of the 21st century, and to facilitate the geographical expansion of the Energy Charter Treaty of 1994 beyond the Eurasian continent. The International Energy Charter reiterates the established principles of the European Energy Charter of 1991, an earlier political declaration which preceded the Energy Charter Treaty.

The energy challenges addressed, include: the growing demands caused by developing countries for global energy security; the conflict between energy security, economic development, and environmental protection; the role of enhanced energy trade for sustainable development; as well as the need for diversification of energy sources and routes. By including all these relevant issues, the International Energy Charter promotes mutually beneficial energy co-operation among nations for the sake of energy security and sustainability.

Seventy five countries and organisations, including the European Union (and all its Member States), EURATOM, China, the United States, and countries from Africa, Asia, and the Americas adopted the new Charter. Russia did not participate at the Hague Conference, but was a signatory to the European Energy Charter of 1991, and the subsequent Energy Charter Treaty of 1994, which it provisionally applied until

2009. However, the International Energy Charter remains open for signature by any country willing to share the principles of global energy co-operation and governance. The ultimate ambition is for the Energy Charter to achieve its full potential as the premier instrument of global energy co-operation and governance.

The relevance of the International Energy Charter to the European Union's Energy Union lies in the energy import dependency of the EU. Such import dependency makes it essential for the EU to strengthen the Energy Union's external dimension. The external dimension of the Energy Union deals with diversified, reliable, and affordable energy imports. The legally binding Energy Charter Treaty and the political process that comes with it, including the new International Energy Charter, provide the ideal basis on which to build the external dimension of the Energy Union. Energy policy must be built on shared rules with external trade partners.

In building its Energy Union, the EU must take into account the global trends. Energy exploration, generation, and transportation to meet the increasing energy demand will require extensive investment flows. Global engagement with today's energy and geopolitical circumstances is a priority, in order to build a level playing field on which the EU can be a strong competitor. Recognition of the Energy Charter Treaty as a fundamental tool of global energy governance is very much in the EU's interest. All in all, to improve global energy governance, the EU should not only work on international

The Energy Charter and its implications for the EU's Energy Union

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energy co-operation, but also advocate for collective responsibility for international energy security.

The Energy Charter Treaty provides a legal framework and a platform for co-operation for the diversification of sources and routes of supply. Whilst the countries of the Caspian region and Turkey are already fully covered by the Treaty's legal regime, there is now a window of opportunity to expand the Treaty's framework to other energy-relevant regions like North and Sub-Saharan Africa, or the Middle East, where new producers may contribute to the EU's energy security.



of energy poverty. These principles are: political and economic co-operation; sovereignty over energy resources; the development of efficient energy markets; non-discrimination; the promotion of a climate favourable to the operation of enterprises and the flow of investments and technologies; environmental issues. The hope is that the political will which has brought about the adoption of the International Energy Charter of 2015, will continue to ensure that the process continues and fashions a system of global energy governance. Common rules for global energy security should be developed, based on the principles set out in the International Energy Charter. Those principles are for a 21st century world and for more global constituency. This must be the next chapter in the story of the Energy Charter and its contribution to the energy security of the EU and beyond. 

The principles adopted in The Hague must be implemented with regard to security of supply, security of demand, security of transit, and not least the alleviation



Dr Urban Rusnák,
Secretary General,
Energy Charter Secretariat

The coming Super-Battery revolution



Ian Brzezinski

In May, Tesla Motors, the famous maker of electric cars, rolled out a new line of high-capacity, rechargeable lithium-ion batteries, generating excitement in the world of energy storage. The Powerwall, designed for homes, is the size of a refrigerator door and delivers 7 or 10 kilowatts per-hour, whilst the Powerpack is intended to serve businesses, and is the size of a refrigerator, delivering 100 kWh.

The firm's visionary CEO, Elon Musk, believes that users of the 'Tesla Energy' line of batteries will be able to store power, pulled from the electric grid, or from wind or the sun, and use it to avoid peak demand charges. Those with sufficient solar or wind power could, in theory, even abandon the power grid.

The roll-out of Tesla's new battery line underscores the impending arrival of "super-batteries" which overcome the cost and efficiency challenges that currently impede the broader application of batteries, including the growth of the electric car industry. Overcoming these barriers, which prevent batteries from being a true competitor to oil, gas, and coal could revolutionise the energy industry.

In his new book, 'The Powerhouse: Inside the Invention of a Battery to Save the World', author and journalist Steve Levine describes how cost-effective, high-capacity batteries are, to some extent, key to the full actualisation of renewable energy. Power from solar arrays and wind farms windmills is, in general, only useful when demand

for power occurs when the sun is shining or the wind is blowing. Oil, gas and coal need neither to unleash their energy. Super-batteries are, therefore, essential if renewable energy is to significantly displace its carbon-based competitors.

Even with Tesla's advances, those breakthroughs have yet to be made. Critics point out that Tesla's 10 kilowatt Powerwall battery costs \$3,500, a price that does not cover installation and other necessary expensive equipment, such as an inverter and solar panels, or even wind turbines. That is a pricy proposition for average homes, even in the U.S., where the typical household uses 31 kilowatt hours per day.

The battery has not changed significantly, since its invention by Alessandro Volta in 1800. Its evolution has been snail-paced, when compared to data processing and other technologies. That pace has only picked up moderately, following the invention of the lithium-ion battery in the 1970s, and its commercialisation in the 1990s.

A battery revolution may not be imminent, but steady progress is being made in reducing both cost and the voltage fading that comes with repeated use. According to Levine, in 1995, a lithium-ion battery with a 1-kilowatt-hour capacity cost \$3,000. Today, it costs \$200. Since 2008, Tesla Motors, in co-operation with Panasonic, has cut the cost of their battery packs by 50%, and increased their storage capacity by 60%.

These improvements are making electric cars more cost-effective, reliable, and thus, competitive, and they are facili-

The coming Super-Battery revolution

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tating the use of batteries for larger and more demanding operations. Japan plans to power its next generation of Soryu class submarines with arrays of lithium-ion batteries. Japan's Tohoku Electric Power Company will put into operation this year, a 40 megawatt storage facility in Sendai, to store wind and solar energy. On the west coast of the United States, California Edison has initiated the construction of a pilot power storage facility near the city of Tehachapi, that will hold 32 megawatt hours of energy, generated by the region's wind turbines.

Levine also points out that the gap between the cost of energy from batteries and from oil, gas and coal, may be still be wide, but it is narrowing. In the realm of lithium-ion batteries used for large-scale storage by utilities, the cost per kilowatt hour is expected to drop from \$500 to \$230 by around 2020. At the latter price, batteries "would reach a tipping point, and make batteries compete with coal, oil and gas on the grid."

Some investors are betting on a huge future for batteries. Seeing rising battery demand in the global automotive, housing, and utility industries, Tesla designed its new battery line to be scalable, and is building a \$5 billion battery production plant, nicknamed the "Gigafactory", near Reno, Nevada, in the United States. Levine and others predict that, if improvements in batteries can make their cost efficiency competitive to that of oil and gas, batteries could be regarded as a \$300-400 billion industry by 2020.

Super-batteries have enormous potential. Price competitive, reli-

able electric cars would contribute significantly to the reduction of greenhouse gases, by eliminating automotive emissions. By leveraging the capacities of renewable energy, super-batteries would help reduce dependencies on imported oil and gas.

Levine asserts that "if lithium-ion batteries were scaled-up and used to store electricity for the grid, they could rival shale oil, in terms of their capacity to reshape the energy landscape...and they could eradicate some four million barrels of global oil demand a day", as countries direct their energy consumption away from carbon fuels, and towards solar and wind power stored in batteries. That, he points out, amounts to 4.5% of today's global oil consumption.

Some visionaries even see batteries replacing the combustion engine. That may be a long time coming, but the steady technological progress being made in battery power does lay the groundwork for a significant change, in the foreseeable future, in how we think and use energy. The super-battery revolution might come sooner than many think. 

Ian Brzezinski
is a Senior Fellow at the Atlantic Council.

ENERGY-ECHO

China's tax-free boost for new electric cars

The Chinese State Council has declared that buyers of new energy vehicles – fully electric, hybrid and fuel cell cars – will be exempt from purchase tax from September to the end of 2017. The tax is 10% of the net value of the vehicle. China has sought to increase ownership of electric and hybrid vehicles to ease chronic pollution and reduce reliance on oil imports, and the government has set a target of having five million new energy vehicles on the roads by 2020. However, only 70,000 are currently in use. (PW)

Solar installations in the U.S. reveal explosive growth

By the end of 2016, the U.S. will be generating enough solar energy to power 8 million homes, helping to offset 45 million metric tons of carbon emissions, the equivalent of removing 10 million cars off the roads and highways. (PW)

Luxembourg has a “flexible agenda” for the Council of the EU’s Presidency

From the 1st of July, the Grand Duchy of Luxembourg will take over from Latvia the rotating Presidency of the Council of the European Union, for the twelfth time. As one can expect from a founder member, Luxembourg intends to focus on regaining a sense of trust within the union, which is a pertinent focus, particularly in the current Brexit and Grexit turmoil.

Yet, what’s in it for the energy sector? From preliminary communications, we understand that in this area, Luxembourg will just take “what’s on the table”, without having its own definite agenda. Prime Minister, Xavier Bettel, declared at the beginning of May, that the forthcoming presidency will be placed under the banner of citizens, growth, investment, innovation, and sustainability. A classical message that was reiterated in Brussels by Ambassador, Christian Braun, from



the Permanent Representative of Luxembourg to the EU, who underlined the idea that the agenda of the presidency remains a “flexible” one for the next six months.

Among the big dossiers quoted by the ambassador, we find migration and asylum policy, the digital single market, handling of the sensitive question regarding the future relationship between the United Kingdom and the EU - in the light of the planned referendum on membership of the EU, - a competitive Europe, and, finally, the Energy Union.

In the coming months, the presidency of Luxembourg will have to tackle the issue of governance and how to implement the 2030 targets to cut emissions by 40%, increase renewables in the energy mix, by

at least 27%, and boost energy efficiency by 20%.

Moreover, the flexible agenda for this semester will still have some further planned and expected items on it. The Commission is supposed to put on the table, to mention just a few items, a communication on electricity market design (July), an LNG strategy, new regulation proposals for gas (end of the year), and we should not forget about the Paris conference on climate. Hence, energy will stay on the top of the agenda. 



Cristina Dascălu,
Co-ordinator Media
and Communication

Gatwick Oil reserves: ‘70% higher than previously estimated’

We previously reported that the amount of oil in the Gatwick area came to 158 million barrels per square mile. UK Oil and Gas (UKOG) has now revealed, following a second study, conducted by oilfield services company, Schlumberger, that there are 271 million barrels to be found – a 70% increase.

UKOG is planning, later this year, to drill more exploration wells and conduct flow tests to find out how much oil is recoverable. (PW)

‘Under the Rug’: hidden funds for fossil fuels, especially coal

Despite the recent divestment trend towards fossil fuels, and coal in particular, billions of dollars’ worth of government support continues to flow towards coal projects around the world. Between 2007 and 2014, more than US \$73 billion in public finance was approved for coal. 77% of that amount went to coal power plants, and nearly all of this finance went to high-income countries, with no energy poverty issues. (PW)

EU ETS emissions fell 4.5% in 2014

IS THE EU'S FLAGSHIP POLICY (ETS) ON THE VERGE OF CAPSIZING?

Information has just been issued from the European Commission, suggesting that emissions fell by 4.5% in 2014, compared to a year earlier. These figures significantly reveal that European industry deploys extensive innovations which helps them to cut greenhouse gas output. The data covers the emissions for 2014, from more than 12,000 installations.

FIGURES - The highlights

- Emissions from the power and heat installations – the biggest emitting sector under the EU ETS - dropped by 6.8%, but not only due to a mild Europe-wide winter which would have cut demand for heat and electricity.
- Emissions from the oil and gas sector showed a 3.7% decrease, whilst the pulp and paper sector also fell by 4.6%.
- CO₂ output increased by 1.1% in the metals industry, and in the cement, lime, glass, and ceramics industries by 3%, due to higher production.
- The countries showing the largest cuts in percentage terms were: Slovenia (-17%), Denmark (-14.4%), France

(-12.4%), and Britain (-11.4%).

- Central European countries performed well, too, with Lithuania leading the way with (-6.8%), closely followed by Latvia (-6.6%) and Estonia (-6.1%). Slovakia (-3.8%), Croatia (-3.7%), and Poland (-2.4%), also performed creditably.
- Nine of the 31 countries in the survey increased their emissions, with the Netherlands (+3.0%), and Spain (+2.0%).

The EU's backloading measure, cut auction volumes by 400 million units last year, and led to a net shortage of around 200 million tonnes. However, the allowances surplus was still growing, due to the falling emissions figures, and this mixed picture led the EU's Climate Commissioner, Miguel Arias Canete, to declare on Twitter: "We need a quick and robust MSR deal!" He is wrong to think that way, because the figures show that low prices of EUAs help to develop the EU's industry, and no MSR is needed to achieve the EU's CO₂ decrease goals. We, at CEEP, can only hope that ENVI will change their position.

The key factor he should be considering is

that the EU ETS emissions figures dropped further than the annual decrease of the market's overall cap, which reduces annually by 1.74% below 2012 levels between 2013 and 2020. The cap is determined by Europe's target for emissions reduction, and it is estimated that without MSR, it will reduce emissions close to 22%, when compared to 2005, by 2020. The prospect of a global environmental deal at this year's Paris Summit in December, will surely increase the prospect of further cuts in emissions, but we should compare the situation to the rest of the world, which is not too eager to accept the EU concept of ETS, whilst the bigger global economies emit more than twice per capita than in the EU. These economies emit round 17 tonnes per capita, compared to the EU's 7 tonnes. Their economies increase more rapidly than in the EU, and this speaks for itself.

The prospect of decreasing CO₂ may well lead to an expected fall in the carbon price, which will push development of the EU's economies. If the EU decides to artificially raise the carbon price, then that would result in, not only pushing up the operating costs of manufacturing industries that emit CO₂ directly, but also producing major car-

bon leakage and competitiveness issues for them. The volatile carbon price, and lack of a price floor, combined with uncertainty linked to the long-term perspective (post-2020), has largely undermined the EU ETS's potential to encourage major investments in the decarbonisation process, and this is yet another failure associated with the much-maligned system.

EU interventions also tend to make climate policy less predictable, and they create vulnerability in energy-intensive industries and in the EUA market. If the ETS remains, then it must be on the basis of a proper benchmarking, cost-effective and market-based instrument, and with its nature unaltered: this is how it was initially foreseen. 



Peter Whiley,
Specialist,
Grupa LOTOS

Germany's energy contradictions exposed

As Germany is currently falling short of its ambitious plans to cut CO₂ emissions, Vice-Chancellor and Federal Minister for Economic Affairs and Energy, Mr. Sigmar Gabriel, announced in early 2015 the intention to impose a climate levy on ageing power plants. As this change in regulation would be highly relevant for the balance sheets of power suppliers, the panel discussion of the 61st Special Energy Dialogue at the Reichstag focused on its possible impact on the future of Germany's coal sector.

Despite Germany being a trailblazer in the field of renewables, it is, at the same time, one of the developed countries with the highest consumption of coal, and this has led to the contradiction that whilst far-ranging measures to protect the climate have already been introduced in Germany, emissions have been rising over the past three years. The nuclear power phase-out, decided upon following the Fukushima catastrophe, increased the reliance on coal-based electricity production, which currently is responsible for a third of all emissions in the country. Consequently, the government feels increasingly compelled to react by tightening environmental regulations on the energy market. Chancellor Merkel has also taken the opportunity of the G7-Sum-



mit she hosted at the beginning of June, in the Bavarian Elmau, to firmly put climate protection at the top of the international agenda. As a result, the “decarbonisation of the global economy over the course of this century” and “deep cuts in global greenhouse gas emissions” were agreed.

The goal pursued by the Federal Ministry

of Economy and Energy through the proposed regulations, is to cut the emissions of coal energy production by 16 million over the next five years, in order to prevent the country from falling short of the overall target of lowering carbon dioxide emissions by 40% by 2020, as compared with 1990 levels. More precisely, power suppliers would be

required to pay a climate levy on CO₂ emitted, above a limit of seven million tonnes per gigawatt of installed capacity in coal plants older than 20 years. Though environmental associations widely regard this instrument as a necessary step to make coal power plants contribute to climate protection,, trade unions and businesses fear that this levy could put about 100,000 jobs at risk and increase already high domestic energy prices.

Strong conflicting interests were expressed in the debate at the 61st Energy Dialogue at the Reichstag. Mr. Rainer Baake, State Secretary at the Federal Ministry for Economic Affairs and Energy, highlighted that all German administrations have undoubtedly committed themselves to the ambitious emissions-reduction targets for 2020, which were first introduced by the Green-Social Democratic Coalition in 2002. As Germany seems to be falling short on its own goals, while the year 2020 is rapidly approaching, this can only be regarded as inconsistent, Baake noted. Therefore, he sees the need for additional measures, especially putting the brakes on coal-based power generation, as being necessary, and part of an existing consensus. In his opinion, this measure should only be a temporary mechanism to

Germany's energy contradictions exposed

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make the sector deliver its contribution to the 'Energiewende'.

State Secretary Baake argued that a variety of instruments to achieve further CO₂ emission reductions in the coal sector have been openly discussed. The Ministry concluded that requiring coal plants older than 20 years, and exceeding a certain emissions threshold, to pay a fee determined, in relation to the real development of wholesale energy prices, would be the most appropriate short-term solution in the wider European context.

Mr. Alf Henryk Wulf, CEO of ALSTOM Power, reminded the audience of the growing importance of coal as an energy resource in the rest of the world. Whilst Germany seems to increasingly limit the role of coal in its energy-mix, he pointed out that European technologies are the most advanced and energy efficient means of generating electricity, and should therefore keep playing a pre-dominant role in the global coal market. However, he observed that this would become more difficult when regulatory instruments distort the market in Germany, making research and development more costly, undermining planning predictability, and considerably hindering the export of advanced technology to foreign markets.

In Mr. Wulf's opinion, coal has to remain a pillar of the German and European energy generation, as it has the potential to become a clean contributor to the energy-mix, if modern technologies are given their due focus. Therefore, he claimed that vilifying the coal sector fails to acknowledge its enormous potential to contribute to a cleaner global energy generation.

The vibrant discussion that ensued went deeply into the need for a national climate and energy policy, to take into account European legislation and greater global trends, so that Germany's role as a pioneer does not lead to unco-ordinated and solitary efforts. Furthermore, planning certainty and the integration of the heating sector into energy policy were subjects that also contributed to the heated debate.

The 61st Special Energy Dialogue at the Reichstag was held at the Commerzbank on May the 26th, at the invitation of Prof. Dr. Pflüger, Janusz Reiter and Central European Energy Partners (CEEP). 



Alexandru Zegrea,
Consultant, Pflüger
International

2nd Energy Dialogue at the Seimas (Lithuania)

The second edition of the Energy Dialogue at Seimas, concentrated on 'LNG and Energy Security: Options for Europe and the Baltics', offering perspectives from Vilnius, Brussels, and New York. The meeting was held at the invitation of Prof. Dr. Friedbert Pflüger, Mr. Jaroslav Neverovic, and Central Europe Energy Partners (CEEP) on May the 29th, 2015, in the European Information Office of the Seimas in Vilnius, Lithuania.

The debate centered around two main topics: with the role of LNG for Lithuania and the Baltics, the first to be discussed. Politically, LNG is regarded as an important element of the Lithuanian energy diversification strategy. It reduces dependence on Russian gas, and improves the Lithuanian bargaining position vis-à-vis Gazprom. From the consumer's perspective, LNG imports have brought down energy prices in Lithuania and opened up new trading options. This development will accelerate, once the interconnectors to Poland and Finland come into operation. However, the regional market still faces

regulatory challenges, preventing it, for example, from making better use of the storage facilities in Latvia.

Secondly, the global LNG market was discussed, with a focus on North American shale gas. The speakers emphasised that the LNG market has transitioned into multi-polarity, and that the growing trends of the spot market have led it to already represent one third of global LNG trade. Participants further stressed the role of LNG from the United States, which is the cheapest alternative to Russian gas for the Baltics.

The speakers were: **Mr. Rokas Masiulis**, Minister for Energy of the Republic of Lithuania; **Mr. Kimball C. Chen**, Chairman and Chief Executive Officer of Energy Transportation Group; **Mr. Dominykas Tučkus**, Chief Executive Officer, Litgas; and **Ms. Monika Zsigri**, Policy Officer - Security of Supply - DG Energy - European Commission. 

Alexandru Zegrea,
Consultant, Pflüger International

62nd Energy Dialogue at the Reichstag

The 62nd Energy Dialogue at the Reichstag concentrated on the role of renewable energies and technological innovations in preventing climate change. The event was held at the invitation of Prof. Dr. Friedbert Pflüger, Ambassador Janusz Reiter and Central Europe Energy Partners (CEEP) on June the 12th, 2015.

Dr. Fritz Brickwedde, President of the Federal Association for Renewable Energy (Bundesverband Erneuerbare Energie e.V.) underlined that his industry is elated by the decisions taken at the G7 Summit in the Bavarian village of Elmau, earlier in June. According to him, there have been several other encouraging developments within the last weeks. These include figures which show a sustained expansion of photovoltaic energy production, especially in China. He also pointed out that the technological development of renewable energies is formidable: nowadays, what



was considered technically impossible, only a few years ago, is now widely implemented. Dr. Brickwedde closed with a very op-

timistic outlook on renewables, sharing his deep conviction that the future belongs to this type of energy generation.

Mr. Robert Busch, Chief Executive Officer of the Federal Association of Energy Market Innovators (Bundesverband Neue Energieanbieter e.V.), expressed his belief that we are entering an era, during which, the energy supply will undergo the same type of transformation as the telephone already has. Nowadays, everybody uses flat rates in order to call, text, and use the mobile Internet. According to Mr. Busch, the future of the energy sector will be similar. Customers will receive their energy from a variety of sources, the main challenges being how to distribute it and how to guarantee reliability of supply. Mr. Busch is convinced that this development will have a dramatic impact on the classic energy markets, which will either have to integrate into this model, or end up being replaced. 

Alexandru Zegrea,
 Consultant, Pflüger International



PRAGUE BACKS NUCLEAR ROUTE WITHOUT DECISION ON FUNDING

The Czech government approved its nuclear energy strategy, which foresees the construction of new atomic reactors, without committing to a clear plan on how the projects will be funded.

The Czech Republic sees only a limited role for gas in its recalibrated long-term energy strategy. Under the plans, the Czechs will become increasingly reliant on nuclear – and, to a lesser extent, renewables. A major source of uncertainty is how the new nuclear capacity will be funded. Atomic generation supplies around 35% of the present power mix, but this is expected to rise to between 46% and 58% by 2040. (Interfax Energy)

ROMANIA LOOKS FOR FUNDING TO BUILD BRUA

Romania's Transgaz company may sell bonds, as early as this autumn, to finance construction of a gas pipeline to link the Balkan country's southern region with Central Europe.

The natural gas grid operator will apply for European Union funding, in July, to back the 560 million EUR project called BRUA, linking Bulgaria, Romania, Hungary and Austria, Chief Executive Officer, Petru Vaduva, announced, in an interview in Bucharest. If the EU funds are approved, Transgaz will need to cover half the cost from its own resources, he added. (Bloomberg)

SLOVAKIA, HUNGARY, ROMANIA AND BULGARIA EMBARK ON GAS PIPELINE PROJECT

Slovakia, Hungary, Bulgaria and Romania signed a Joint Declaration backing the idea of building the Eastring gas pipeline, designed to link Central Europe with the South-Eastern part of it. However, the name Eastring does not appear in the document. Eastring is a proposed pipeline, a version of which is 832 kilometres long, and runs across Slovakia, Hungary and Romania, whilst another version is 1,274 kilometres long, and reaches Bulgaria. One of its advantages is that Eastring uses the existing infrastructure of Eustream on Slovak territory, which was completely renovated after the 2009 gas crisis. (Euractiv)

HUNGARY AND UKRAINE SIGN GAS FLOW INTERCONNECTION AGREEMENT

Gas network operators in Hungary (Földgázszállító Zrt.) and Ukraine (Ukrtransgaz) have just signed an interconnection agreement, covering flows of natural gas, both ways across the border.

Importantly, it also serves as the legal basis for Gazprom to cede the network operation activities, which it is still performing at Ukraine's borders with the EU, to Ukrtransgaz, and should fall under the responsibility of the Ukrainian network operator. This agreement could also become a blueprint for other agreements between the Ukrainian network operator and its EU neighbours in Slovakia, Poland and Romania. (European Commission)

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