

EUROPEAN ENERGY MARKET: RE-DESIGNING THE FRAMEWORK

The Cyprus-EU Presidency Summit



Cyprus Energy Regulatory Authority
George Shammas
Chairman

October 8th-9th , Nicosia

INTRODUCTION

- ❖ **Cyprus Energy Regulatory Authority (CERA)**
- ❖ **European Energy Policy**
- ❖ **Connecting Europe – Energy Infrastructure Package**
- ❖ **Infrastructure Priorities**
- ❖ **Projects of Common Interest & Regulators Role**
- ❖ **Cyprus & Probable PCIs**
- ❖ **Challenges**

CERA'S LEGAL STATUS

- CERA is the National Energy Regulatory Authority of Cyprus and was established by the Law on Regulating the Electricity Market of 2003, N.122/(I)2003.
- CERA's main task is regulating and supervising Cyprus Energy Market (Electricity & Natural Gas) and Electricity and NG Undertakings
- CERA participates in the EU Regulators Bodies CEER & ACER



COMPETENCES/POWERS/OBLIGATIONS OF CERA

- ❖ Encourages and facilitates sound competition
- ❖ Ensures protection the interests of the final customers
- ❖ Safeguards the Continuity, Quality, Reliability and Security of energy supply
- ❖ Issues, amends and recalls Licences
- ❖ Promotes the development of a financially viable and efficient energy market
- ❖ Regulates the tariffs of Electricity and NG activities
- ❖ Promotes the use of Renewable Energy Sources

EU OBJECTIVES

Promotion of
competition

Security of
Supply

Protection of
the
Environment

3RD EU ENERGY PACKAGE – LEGISLATIVE FRAMEWORK

The aim of the third energy package is:

- ❖ the creation of a fully operational internal electricity & NG market with enhanced competitiveness
- ❖ the secure supply of electricity & NG that is of vital importance for the development of European society
- ❖ the implementation of a sustainable climate change policy
- ❖ the provision of a real choice for the consumers in all EU countries, that will help to keep prices as low as possible and increase standards of service and security of supply.

3RD ENERGY PACKAGE

Directives

Regulations

2009/72/EC

concerning
common rules
for the
internal
market in
electricity

2009/73/EC

concerning
common rules
for the
internal
market in
natural gas

713/2009

on the
establishment
of the Agency
for the
Cooperation
of Energy
Regulators
ACER

714/2009

on conditions
for access to
the network
for cross-
border
exchange of
electricity

715/2009

on conditions
for access to
the natural
gas
transmission
network

CONCLUSIONS OF EUROPEAN COUNCIL – 4/2/2011

- ❖ **The internal market should be completed by 2014**
- ❖ **Legislation on the internal energy market and on wholesale energy market integrity and transparency must be fully implemented the soonest and**
- ❖ **No EU Member State should remain isolated from the European Gas and Electricity network after 2015**

INTERNAL MARKET- SECURITY OF SUPPLY OBJECTIVES

- ❖ Achieve a diverse energy mix in the European Union (Conventional & RES)**
- ❖ Diversification of gas routes and of sources of supply for the Union by encouraging new suppliers**
- ❖ Reinforcement of Electrical and Gas interconnections between Member States**

INTERNAL MARKET & PROTECTION OF THE ENVIRONMENT

20-20-20 Strategy by European Union

Increase in RES penetration

20%

Reduction in Greenhouse Gas emissions

20%

Increase in Energy Efficiency

20%

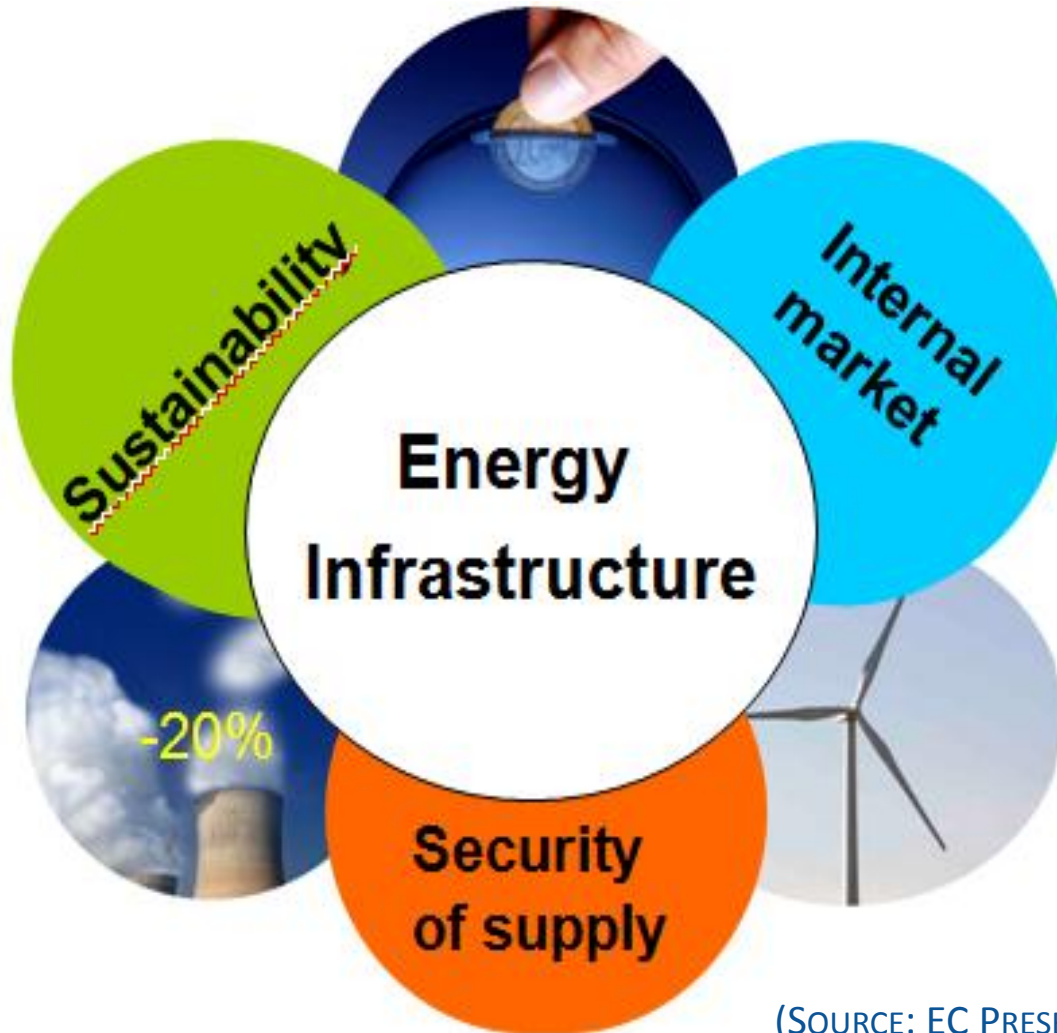
CONNECTING EUROPE FACILITY

A package of proposals adopted by EU consisting of:

- A chapeau communication on a growth package for integrated European infrastructures
- A communication on a pilot for the Europe 2020 Project Bond Initiative, pilot phase starting in 2012
- A communication on a framework for the next generation of innovative financial instruments – the EU equity and debt platforms
- A proposal for a regulation establishing the Connecting Europe Facility
- A proposal for a regulation on guidelines for the trans-European transport network
- **A proposal for a regulation on guidelines for trans-European energy infrastructure**
- A proposal for a regulation on guidelines for trans-European telecommunications networks.

ENERGY INFRASTRUCTURE

The heart of EU energy and climate policy goals



Included under the flagship initiative “Resource efficient Europe”



(SOURCE: EC PRESENTATION TO NRAS)

EU ENERGY SYSTEM INVESTMENT NEEDS BY 2020

- ❖ **Total Investments in Electricity and Gas Sectors over 1 Trillion €**
- ❖ **Power Generation around 500 bln € (most on RES)**
- ❖ **Transmission & Distribution around 600 bln €**
- ❖ **Electricity Transmission 140bln €**
- ❖ **Gas Transmission 70 bln €**

(Source: EC)

ENERGY INFRASTRUCTURE PROPOSAL

- **Under Connecting Europe Facility**
- **Three Sectors: Energy – Transport – Communication**
- **Regulation on the Guidelines on Energy Infrastructure is strongly promoted by EC**
- **Expected to be completed under Cyprus EU Presidency and adopted in 2013**
- **Facilitate Licensing & Project Development procedures and**
- **Funding support: 9,1 bln € will be given to support Energy Projects of Common Interest (PCI)**

INFRASTRUCTURE PRIORITIES



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12 Energy infrastructure priority corridors/areas established,

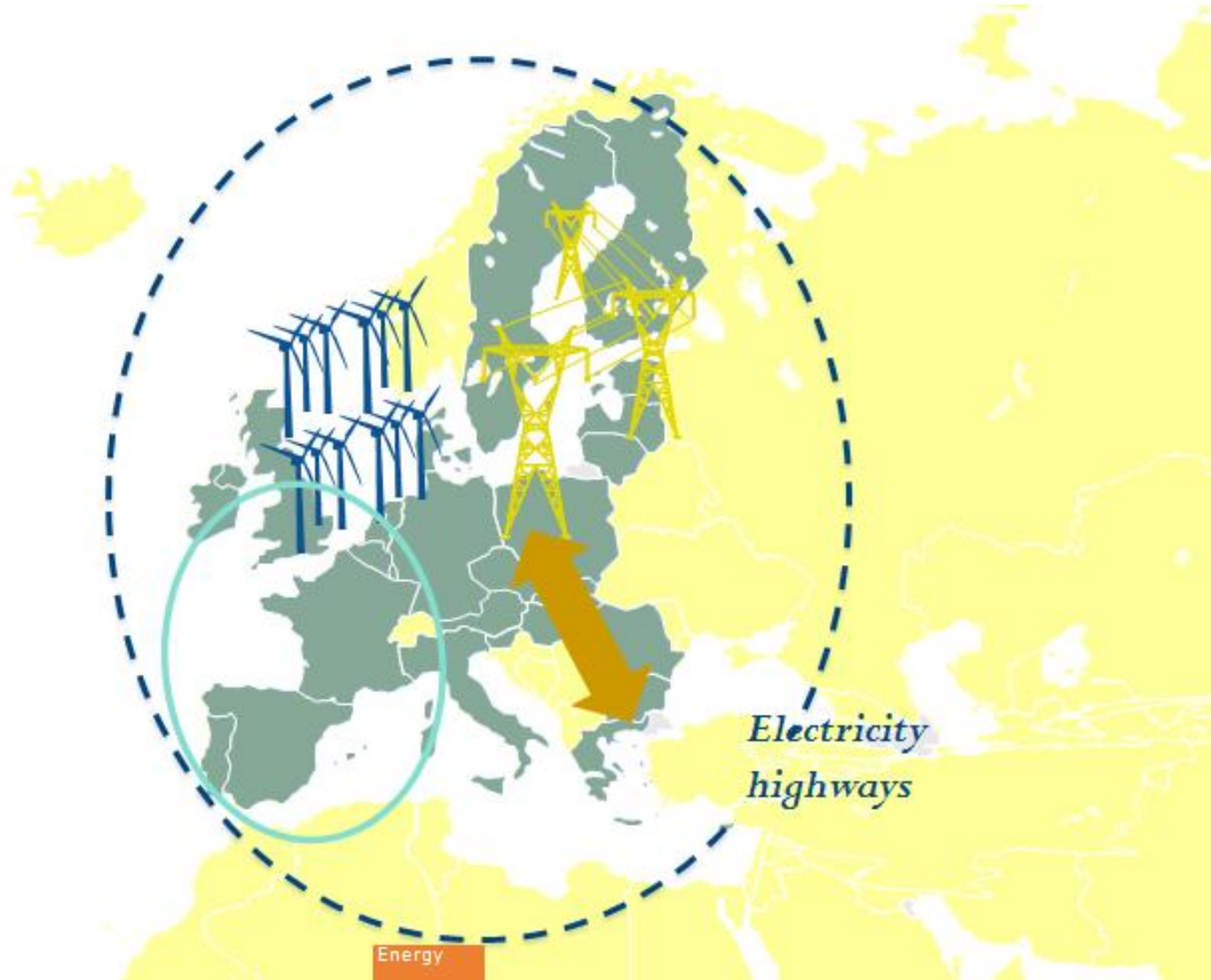
Necessary to meet EU's energy and climate policy goals by 2020 and beyond

CERA, contributed towards achieving the **inclusion of Cyprus in the South-South East Regional Initiative.**

- Natural Gas
- Electricity
- Electricity and natural gas
- Oil and natural gas
- Smart interconnected grids in the EU

INFRASTRUCTURE PRIORITIES - ELECTRICITY

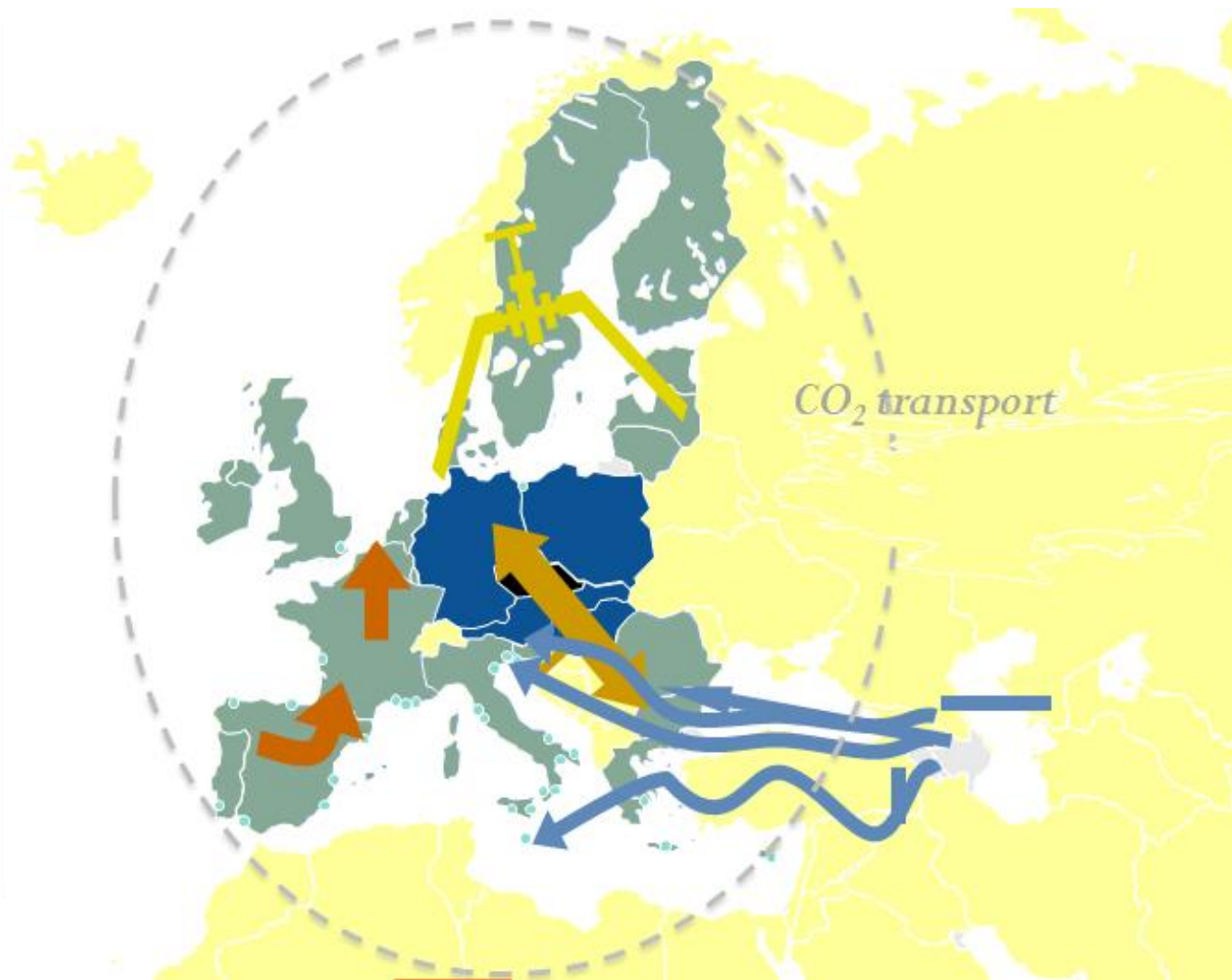
- BEMIP
- North South interconnections in Western Europe
- North South interconnections in Central and South Eastern Europe
- Northern Seas Off-shore grid
- “Smart grids”



(Source: EC)

INFRASTRUCTURE PRIORITIES – GAS, OIL AND CO₂ TRANSPORT

- Southern Corridor
- BEMIP
- North-South interconnections in Western Europe
- North-South interconnections in Central and South Eastern Europe
- Oil security of supply in Central Eastern Europe



(Source: EC)

CRITERIA FOR IDENTIFYING & SELECTING PCI

- **Need to Involve at least two member States i.e. Cross Border or Infrastructure having important impact on neighbouring countries**
- **Positive impact on economic, social and environmental viability**
- **Project has to Support:**
 - **Market integration**
 - **Security of supply (Diversify routes of supply &/or suppliers)**
 - **Sustainability (RES penetration & CO₂ Reduction)**

PROCEDURE TO SELECT PCI

- 10 year national development plans by ENTSO –E & G
- Proposed by Project Promoters
- NRAs – Check Criteria (Initial Opinion November 2012!!)
- Regional Groups – Evaluate Projects (Member States, TSOs, NRAs)
- ACER Opinion
- European Commission - Decision

ROLE OF NATIONAL REGULATORS & ACER

EC View: ACER and NRAs will play an important role within Energy Infrastructure Package

- Identification Procedure
- Cross border cost – allocation and NRAs joint decision for cross border projects
- Ensure consistency with 10-year planning and energy system cost benefit analysis
- Provide long term appropriate incentives for investments
- ACER decides if two NRAs don't agree and guidance to NRAs on best practices

CYPRUS POTENTIAL ROLE & PROBABLE PROJECTS

NORTH – SOUTH EAST ELECTRICITY



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- Natural Gas
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Guidelines for trans-European energy infrastructure

Cyprus has been included in the electricity priority corridor and is mentioned in the North-South electricity interconnections in Central Eastern and South Eastern Europe («NSI East Electricity»).

It is related to interconnections and internal lines in North-South and East-West directions with a view to **completing the internal market and integrate generation from renewable energy sources.**

Member States concerned: Austria, Bulgaria, Czech Republic, Cyprus, Germany, Greece, Hungary, Italy, Poland, Romania, Slovakia, Slovenia.

SOUTHERN GAS CORRIDOR



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Guidelines for trans—European energy infrastructure

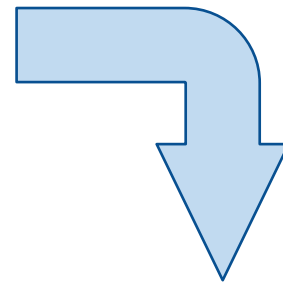
Cyprus has been included in the Southern Gas Corridor ("SGC") for the transmission of gas from the Caspian Basin, Central Asia, the Middle East and the Eastern Mediterranean Basin to the Union **to enhance diversification of gas supplies**

Member States concerned:

Austria, Bulgaria, Czech Republic, Cyprus, France, Germany, Hungary, Greece, Italy, Poland, Romania, Slovakia, Slovenia

CYPRUS LIQUEFACTION PLANT

Main Strategic Goal of Cyprus



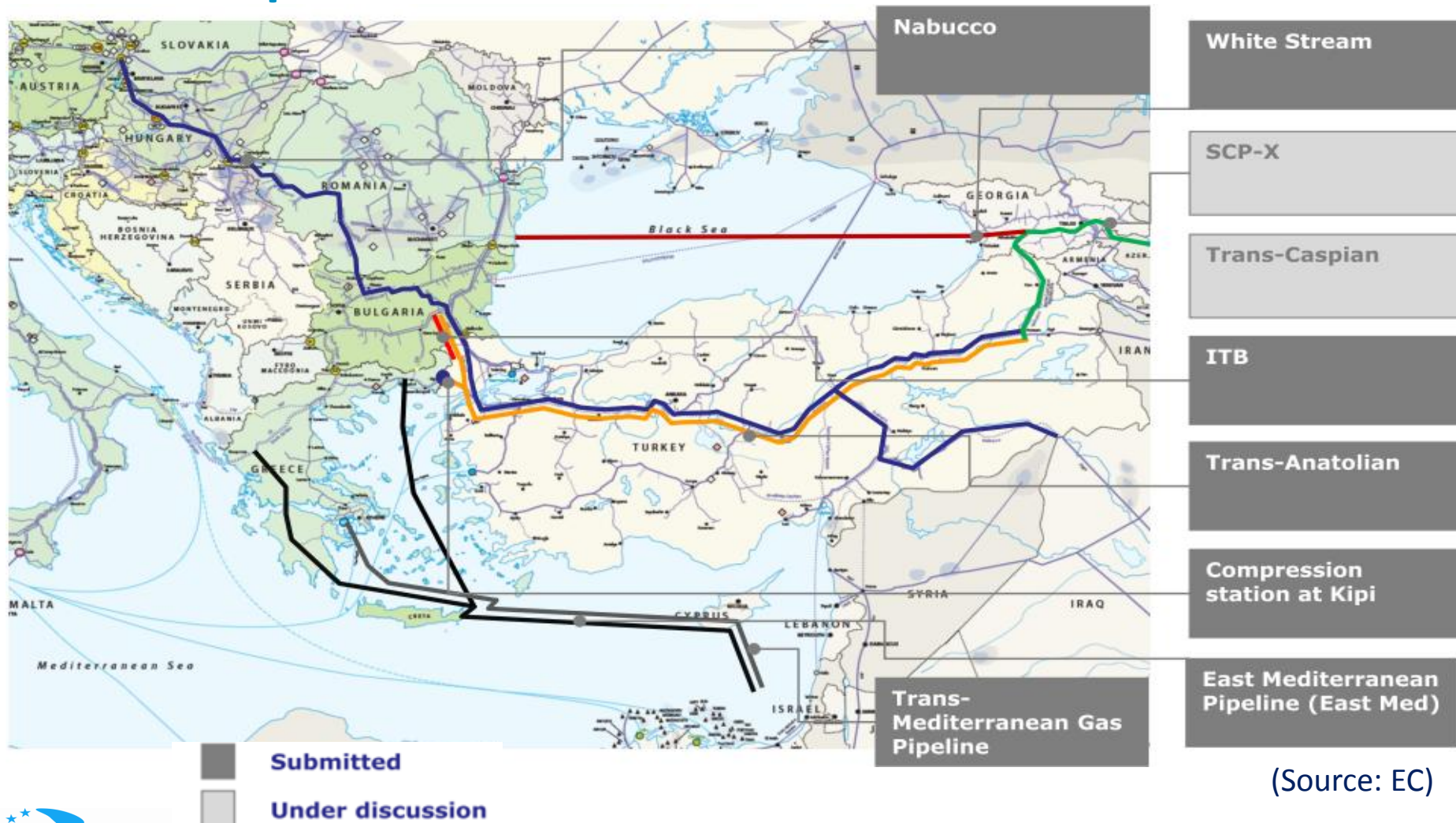
15 mtpa: 3 x 5 mtpa LNG Trains



- IN LINE TO EU POLICY
- Diversification of Energy Supply
- EU Security of Supply,
- Flexibility,
- Storage

EU SGC POTENTIAL PROJECT LIST

SE MED Pipeline



(Source: EC)

TRANSPORT OF EAST MED NATURAL GAS

Study undertaken by DEPA (Greece Public Gas Corporation)

- Technically feasible?
- Financially viable?
- Supports South - East Europe Market



GREECE – CYPRUS – ISRAEL ENERGY BRIDGE

The EuroAsia Interconnector is a proposed interconnector to connect Greek, Cypriot and Israeli power grids via an underwater power cable



Technically feasible? Financially viable?

It would contribute to enhance competitiveness, security of supply and RES integration & end isolation of the Island market

DIFFICULTIES & CHALLENGES

- ❖ **Implementation of the Package started before having a final legal basis as the Regulation will be approved in 2013**
- ❖ **Initial Time limit for NRAs (non binding) opinion by 15/10/12 could not be achieved. EC has given more time till November**
- ❖ **Issues related to legal obligations of Regulators such as cost allocation for cross border projects Vs Initial opinion (now resolved)**
- ❖ **Financial Crisis is causing additional funding difficulties**
- ❖ **The constructive approach by all Stakeholders (EC, Member States, NRAs, ACER, ENTSO-G, Industry) involved in Madrid Forum, 2-3/10/12, will be important towards achieving the ambitious targets set by EC on Infrastructure Package and therefore to achieve the three main objectives of EU Energy Policy**

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Thank you for your attention