AUSTRIAN ENERGY AGENCY

Austrian Energy Agency

Reinforcement and further development of the internal energy market – focus Croatia

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AUSTRIAN ENERGY AGENCY – FACTS & FIGURES

- Austria‘s National Energy Agency; association founded in 1977:
  - President: Minister of Environment — Nikolaus Berlakovich 
  - Vice President: Minister of Economy — Reinhold Mitterlehner 
  - Governor of relevant federal state — Guenther Platter 
  - Independent Think Tank – basic decision – to implementation in areas:
    - Sustainable and secure energy systems – particularly „Energy efficiency“
    - Renewable energy sources (RES)
    - Innovative energy technologies

AUSTRIAN ENERGY AGENCY – FACTS & FIGURES

- 70 employees; turn over around € 7 million
- About 50 association members from:
  - Politics: Ministries, Provinces, Association of Austrian Cities and Towns
  - Economy: Energy companies (electricity/gas), Austrian Federal Forests insurance companies, consultants etc.
  - Stakeholder and organisations: Austrian Federal Economic Chamber, Federation of Austrian Industry, Association for Consumer Information
  - Scientific Institutions: WIFO, LEV, Energy Institute Vorarlberg etc.
- Long standing and experienced co-operation within projects and networks on:
  - National as well as EU level (leading several EU-financed projects)
  - International level – mainly in CEE/SEE; partners: UNIDO, EBRD, WB etc.

AUSTRIAN ENERGY AGENCY

EXTENSION OF EUROPEAN UNION

1st July 2013 is approaching very quickly

CROATIA – LEGAL BASIS in ENERGY SECTOR

- Croatia is prepared for EU from legal framework perspective:
  - Contracting Party of Energy Community, thus to implement – among others – the “Acquis communautaire on energy”:
    - Directive 2003/54/EC (“Electricity Directive”)
    - Directive 2003/55/EC “Gas Directive”)
    - Regulation (EC) No 1228/2003 (conditions for access to network for cross border exchanges in electricity)
    - Directive 2004/67/EC (“Security of gas supply”); Ministerial Council Decision in December 2007)
    - Regulation (EC) No 1775/2005 (Ministerial Council Decision 2007)
  - Energy Chapter in accession process required implementation of same legislative basis in due time

CROATIA – LEGAL BASIS IN ENERGY SECTOR „THIRD PACKAGE“

- Croatia is prepared for EU from legal framework perspective:
  - In the phase of transposition and implementation of „3rd Package”
    - Directive 2009/72/EC (“Electricity Directive”)
    - Directive 2009/73/EC (“Gas Directive”)
    - Regulation (EC) No 713/2009 (establishing an Agency for the Cooperation of Energy Regulators)
    - Regulation (EC) No 714/2009 (conditions for access to network for cross border exchanges in electricity)
    - Regulation (EC) No 715/2009 (conditions for access to the natural gas transmission networks)
    - Regulation (EC) No 994/2010 (Security of supply Regulation)
  - Preparing technical framework for functioning of the system(s)

CROATIA – ENERGY INFRASTRUCTURE

- Croatia is prepared for EU from energy infrastructure angle:
  - Stable and reliable electricity system
  - Developed gas infrastructure – continuos extension
  - Prospective major gas infrastructure projects:
    - Ionian Adriatic Pipeline (IAP) – link to Trans Adriatic Pipeline (TAP)
    - LNG terminal
    - Branch of South Stream
  - Prospective major oil infrastructure project(s)
    - Pan European Oil Pipeline
    - Oil stocks

CROATIA
VANTAGE POINT FOR FURTHER GASIFICATION OF SEE

Could Croatia evolve as regional hub in the mid to long term?

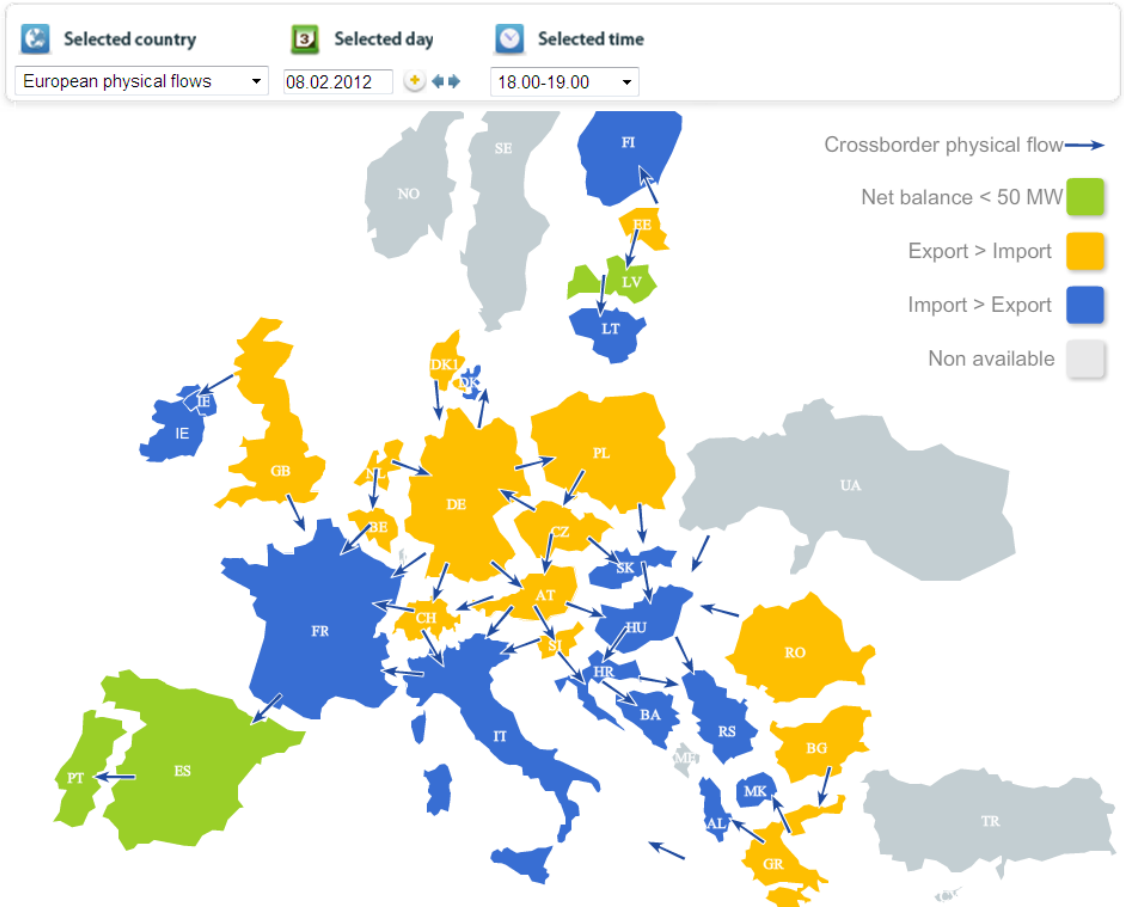
Source: http://www.entsog.eu/download/maps/2012/ENTSOG_CAP_MAY2012_UPDATED.pdf; adapted by AEA

CROATIA

SECURITY OF SUPPLY STATUS IN ELECTRICITY SECTOR

- Cold snap in February 2012:
  - Highest-ever peak demand in Croatia, Bulgaria, Austria, France etc.
  - At same time restricted generation due to low level of water in HPPs and heavy snow, thus difficulties to transport fuel to power stations
  - As a result high transit flows from North Germany via Poland, Slovakia and Czech Republic to SEE region
  - Very close cooperation among relevant TSOs needed in order to manage the highly stressed situation
  - Highly loaded cross-border capacities; internal system constraints

CROATIA
SECURITY OF SUPPLY STATUS IN ELECTRICITY SECTOR



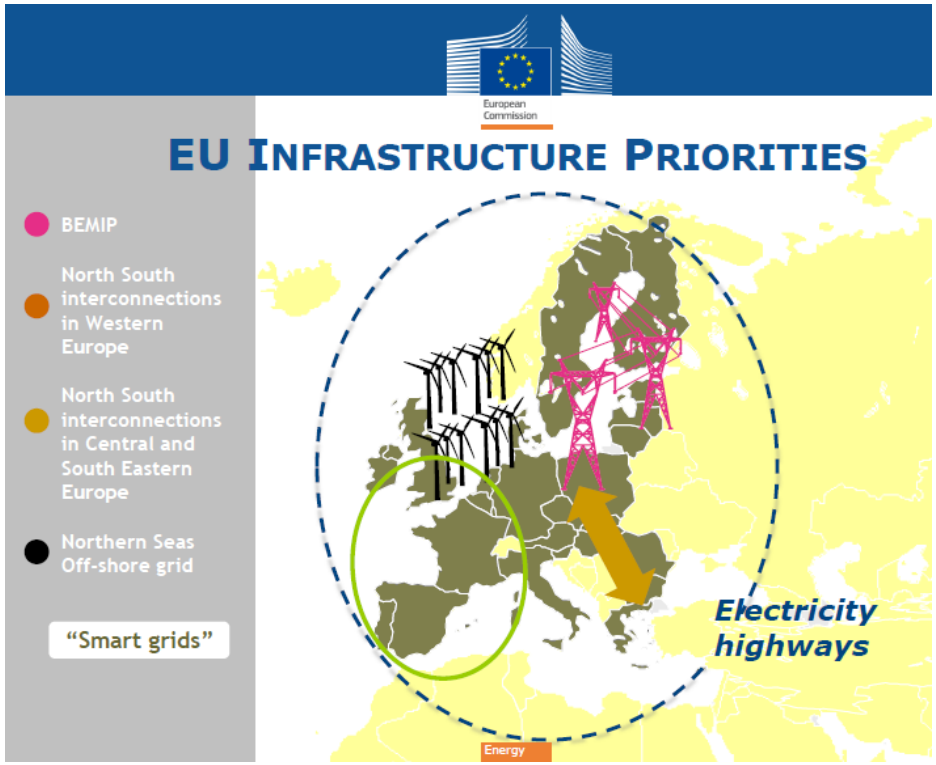
Source: European Commission: Building a Pan European Electricity Market; Athens Electricity Forum; Athens, 27th June 2012

CROATIA

SECURITY OF SUPPLY STATUS IN GAS SECTOR

- Impacts of the gas supply restrictions in January 2009:
  - State of emergeny was proclaimed 7th January 2009; suspended 22nd January
  - Reduction of supplies to group of specific customers
  - Emergency imports from EU MS
  - 45.4% of enterprises were negatively impacted by the gas crisis
  - In the meanwhile completion of supportive infrastructure like:
    - Interconnector Hungary – Croatia
  - Cooperation with promoters of huge trunk lines

CROATIA
"NORTH–SOUTH INTERCONNECTIONS IN CEE /SEE"



Croatia important part of:

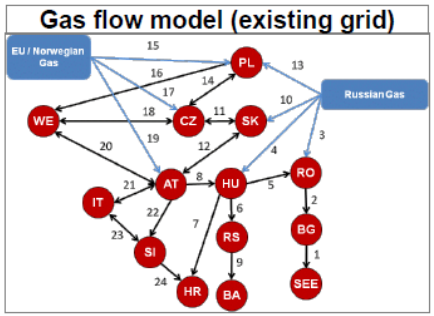
"North–South Interconnections in CEE and SEE" (electricity highways)

thus contributing to:

- Enhancement of SoS
- Diversification of sources and routes
- Increase in competition

Source: European Commission:; Building a Pan European Electricity Market; Athens Electricity Forum; Athens, 27th June 2012; adapted by AEA

CROATIA
"NORTH–SOUTH GAS INTERCONNECTIONS"



Croatia contributing to:

"North–South Gas Interconnections"

thus contributing to:

- Enhancement of SoS
- Diversification of, sources and routes
- Increase in competition

Source: European Commission:; North-South Interconnections; SEE Working Group Project Proposals 7th Gas Forum, Bled, Slovenia, 27th September 2012; adapted by AEA

CROATIA
"INVESTMENTS IN ENERGY INFRASTRUCTURE"

- Further investments in energy sector, including RES, needed:
  - Achieve the intended:
    - Security of supply and security of operation level
    - Supply quality level
    - Grade of competition
    - Share of RES (20/20/20 goals)
    - Access to a multitude of energy sources – in particular natural gas
    - Degree of grids (diversified routes) considering specifics of RES
    - Storage capacities (injection/withdrawl rate and volumes)
  - Provide the proper key infrastructure requested by industry, and serving as basis for the developement of rural and urban areas

CROATIA
"INVESTMENTS IN ENERGY INFRASTRUCTURE"

- Investors seek for – at least:
  - A reasonable rate of return – depending on the risks
  - Predictability and stability
  - Incentives for high-risk investments
  - Acknowledgement of justified cost – based on efficient operation
- Justified cost are the basis for deviation of tariff structures which:
  - Should be fair according to the input involved
  - Provide incentives for usage of the capacities
  - Avoid hoarding of capacities
  - Etc.

CROATIA
"TARIFF STRUCTURES – SUPPORT SCHEMES"

- BUT such tariffs could cause difficulties in terms of affordability for:
  - Customers with low income
  - Poor and elderly people
  - Etc.
- Therefore schemes are needed:
  - … to avoid the need to choose between "eat or heat"
  - … which are not in favour of certain forms of energy – if not intended
  - … to incentivize diligent usage of energy
  - … to support energy efficiency
  - … etc.

CONCLUSIONS FOR TWINNING PROJECT

- Austrian Energy Agency – as partner of E- Control in this important and challenging project – will primarily deal with:
  - Provision of ideas respectively description of existing (implemented) schemes in relation to affordability of tariffs – linked with the commodity
  - Respective recommendations developed by regulators of EU-MS, taking the specifics of Croatia into account
  - Security of supply issues
- Since all of these issues are closely linked with other project topics:
  - Close and fruitful cooperation is needed with our partners from:
    - Croatia and
    - E-Control

THANK YOU FOR YOUR ATTENTION!

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