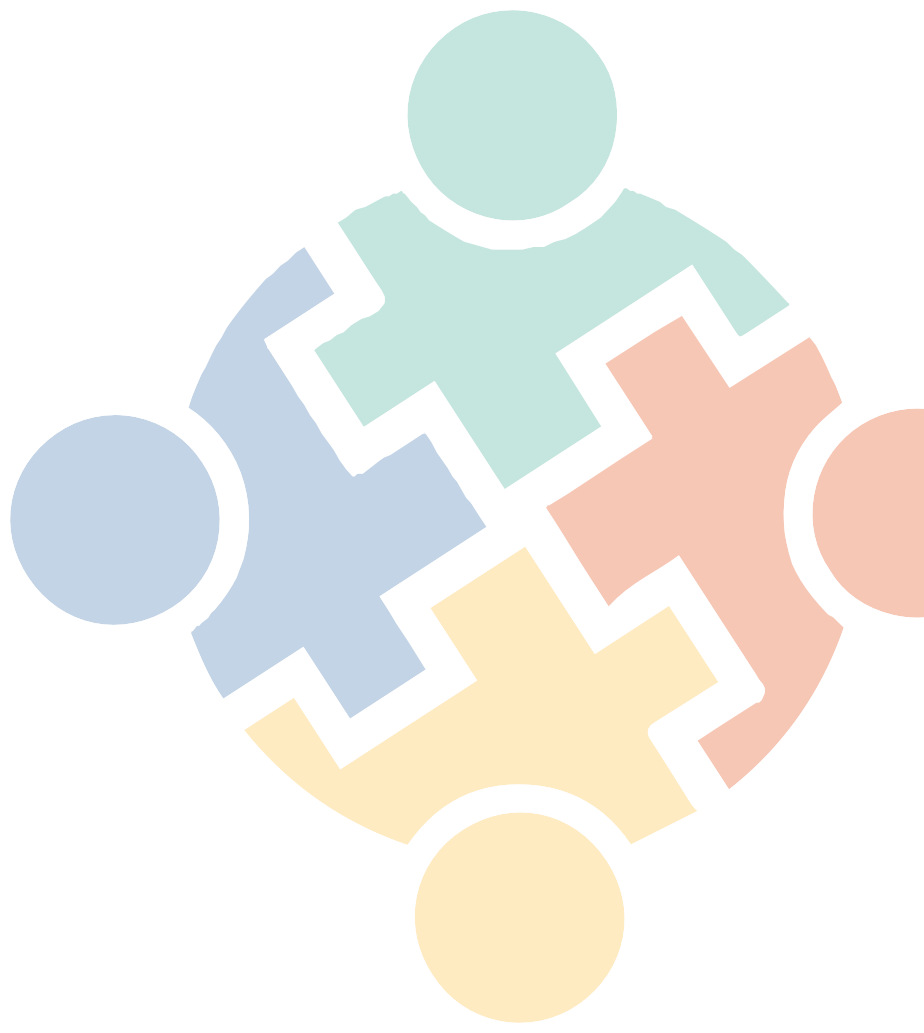


**Action Plan revision:**

**Initial policy paper**

**for thematic consultation in Pillar 2 – Energy Sub-Group**

October 2022



http://www.adriatic-ionian.eu

EUSAIR FACILITY POINT Project Partners: Government Office for Development and European Cohesion Policy (Slovenia) | State Agency for Strategic Planning and Aid Coordination (Albania) |

Directorate for European Integration of Council of Ministers of Bosnia and Herzegovina | Ministry of Tourism and Sport of the Republic of Croatia | Special Service for Strategy, Planning and

Evaluation (EYSSA), National Coordination Authority of the NSRF, Ministry of Development and Investments (Greece) | Marche Region - Innovation and International Cooperation Unit (Italy) |

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**PILLAR 2 – CONNECTING THE REGION**

This document was developed by the EUSAIR Facility Point Lead Partner in cooperation with external experts **as a starting point** for thematic consultation on EUSAIR Action Plan revision in TSGs and with relevant policy owners in the EUSAIR countries. It is accompanied by a questionnaire to collect their feedback.

The document is not meant as a complete description or exhaustive list of elements, its aim is to steer the thematic discussion using the same format and methodology in all 4 pillars, to build on the existing work done through embedding and propose suggestions for actions reflecting the EU policies, trends and initiatives that support the macro-regional, multi-level, cross-sectoral and policy-to-project approach.

Further details on the revision process and methodology are described in the Background document with the Roadmap on the EUSAIR Action Plan revision v3.

**How to read the document**

The content is presented in a table form, the **columns representing the different stages in the Action Plan revision**:

* the first column summarises the relevant **content of the Action Plan 2014**,
* the second presents the **input from the Flagships document**[[1]](#footnote-1) and
* the third represents the **suggested updates** based on the content of flagships, existing EUSAIR relevant thematic reports and documents as well as recent EU policies, trends and initiatives[[2]](#footnote-2).

Consequently, the elements in the Updates column can seem generic, yet the aim is to further adapt and customize them to the Adriatic-Ionian reality through the TSG discussions.

The **rows in the table present the suggested categories of the revised Action Plan** to be specified for each Topic in the Pillar. These categories were selected based on the structure of other MRS Action Plans. They follow the logic of implementation-oriented approach and will help TSG in shaping the Actions. Topics in EUSAIR become more similar to Priority Areas, Policy Areas of other MRS and are better defined, especially as regards the Actions. The actual categories will be agreed by the National Coordinators.

At this point, the suggested Actions are not very detailed, as they will be further developed by the TSGs in future meetings/exchanges.

**Specific comment to Pillar 2 initial policy paper**

The second topic was added in line with the recommendations of the EUSAIR TSG2 sub-group on energy networks as suggested at the 15th virtual meeting on 26 April 2022 as regards the AP revision.

|  |  |  |  |
| --- | --- | --- | --- |
| Topics | Action Plan 2014 | Flagships | Updates |
| **Topic 1** | **Energy networks** | **/** | **Energy Networks** |
| Objective | To achieve a well-interconnected and well-functioning internal energy market supporting the three energy policy objectives of the EU – competitiveness, security of supply and sustainability. | * The goal is at expanding and interconnecting national power systems, creating power market coupling while exploring opportunities for large-scale deployment of low-carbon energy sources and grid digitalisation. * The goal is at expanding and interconnecting national gas systems promoting security of gas supplies while exploiting opportunities for gas storage and counterflows towards an efficient gas trading hub. Given its low-carbon content natural gas would be the fuel of choice in the energy transition. * The development of small-scale direct LNG use is contributing to a more secure, competitive and sustainable energy system throughout the Adriatic-Ionian Region. Direct use of LNG as a fuel for transport would allow diversification and reduction of greenhouse gas emissions as compared with the oil-derived hydrocarbon fuels. | To achieve a well-interconnected and well-functioning internal energy market in the Adriatic-Ionian Region. Priorities are: enacting the energy goals of The EU Green Deal and the Green Agenda for Western Balkans while promoting security of energy supply, resilience of energy infrastructure, energy affordability and access. |
| Challenges / opportunities |  | * The development of an integrated power system and electricity market in the Adriatic-Ionian Region is a challenge of macro-regional importance consistent with national needs as well as with EU Policy Objectives. * The development of an integrated natural gas system and market in the Adriatic-Ionian Region is a challenge of macro-regional importance consistent with national needs as well as with the EU Policy Objectives * To enable the development of small-scale direct LNG use a shared logistic infrastructure is needed and harmonised regulatory standards should be addressed following an integrated approach. Closer cooperation between EUSAIR Member Governments, LNG suppliers and users association at the macro-regional level is needed to boost competitiveness and investment. | * Integrated natural gas corridors, infrastructure and market supporting the energy transition of the Adriatic-Ionian Region. * Even though energy transmission systems are strongly interconnected in the Energy Community Partner Countries, the electricity market activities in the AIR are restricted due to inefficient use and low exploitation of interconnections as well as subsidies causing electricity market distortions in WB * Exclusion of natural gas infrastructure from the new TEN-E Regulation and the need to repurpose LNG infrastructure to renewables in the future * Challenges related to readiness of the regional gas infrastructure for biomethane and hydrogen and the need to identify priorities for corresponding future investments in infrastructure. * Pending Treaty reform in the Energy   Community Parties envisaging reciprocity with Member States and credible enforcement of Energy Community rules, which are relevant to facilitate market integration   * Regulatory barriers that hinder market integration and the functioning of power exchanges in the region. * The existing electricity grid cannot accommodate generation of large amounts of electricity from intermittent renewables and distributed energy sources. |
| Policy Framework | / | / | * Energy Community Treaty * The European Green Deal (COM 2019/640 final) * the Paris Agreement on climate change * Fit for 55 Package, Clean energy for all Europeans package * Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action * Regulation on the internal market for electricity (EU) 2019/943 and Internal Electricity Market Directive 2019/944 * An Economic and Investment Plan for the Western Balkans (COM(2020) 641 final) and Action Plan for the Implementation of the Green Agenda for the Western Balkans 2021-2030 * Regulation on guidelines for trans-European energy infrastructure (EU) 2022/869 * CESEC Electricity Action Plan * CESEC Gas Action Plan * Delegated Regulations amending Regulation (EU) No 347/2013 as regards the Union list of projects of common interest (PCI) * Trans-European Network for Energy (TEN-E) * RCC South East Europe 2030 Strategy |
| Key Stakeholders | / | / | * European Climate, Infrastructure and Environment Executive Agency – CINEA * Agency for the Cooperation of Energy Regulators (ACER) * Energy Community (EnC) * Central and South Eastern Europe energy connectivity (CESEC) high-level working group * Western Balkans Investment Framework (WBIF) * Connecting Europe Facility (CEF) * European Network of Transmission System Operators for Electricity (ENTSO-E) * European Network of Transmission System Operators for Gas (ENTSO-G) * Energy Community Distribution System Operators in Electricity (ECDSO-E) * Technical Assistance to Connectivity in the Western Balkans (CONNECTA) * Adriatic Ionian Euroregion * Adriatic and Ionian Interregional Group at the Committee of the Regions * Adriatic & Ionian Initiative (AII) * Regional Cooperation Council (RCC) * UNECE * International Energy Agency (IEA) * International Renewable Energy Agency (IRENA) |
| Actions |  |  |  |
| Action 1.1 | Construction and establishment of a well-connected power system and well functioning electricity market for the Adriatic-Ionian Region; | **POWER NETWORKS AND MARKET FOR A GREEN ADRIATIC-IONIAN REGION**  It is in the interest of all EUSAIR Member States to interconnect their power grids, as a means to optimise the deployment of low-carbon power generation, to maintain grid stability and security while expanding a the use of intermittent and diversified power sources. Electricity storage, digitalisation of the power grid and smart grids will offer further opportunities for reducing costs and improving the service. Electricity market integration, market coupling would become possible should investments in new power infrastructure become a reality. | **Integrated power networks and market supporting the green transition of Adriatic Ionian Region**:   * Projects supporting the Trans-balkan Electricity Corridor: new power transmission lines, their reinforcements to allow electricity trade, improve grid stability and the large-scale deployment of source, future-proofing - market integration of the planned RES investments. * Power market coupling and integration. Creation of a wholesale power market for the Adriatic-Ionian Region according to a number of steps including harmonisation of electricity transmission tariffs, addressing regulatory barriers and pending Treaty reform in the Energy Community Parties, progressive market coupling, power purchase agreements and use of blockchain to facilitate electricity trading.   In-depth analysis of the differences of regional and national electricity markets, with respect to regulatory frameworks and market maturity. Development of customised approaches to address these barriers paying close attention to these systemic market differences.   * Digitalisation of the power system, smart electricity grids deployment: adopting smart grid technologies across the Region to efficiently integrate the behaviour and actions of all users connected to the electricity network, in particular the generation of large amounts of electricity from renewable or distributed energy sources and demand response by consumers, energy storage, electric vehicles and other flexibility sources and, in addition, as regards islands and island systems, decreasing energy isolation. According to the Clean Energy for All Europeans package and the several National Energy and Climate Plans priority should be given to the clean energy transition. In this context new collaborative projects are envisioned. |
| Action 1.2 | Construction and establishment of an integrated natural gas infrastructure and a well-functioning gas market; | **INTEGRATED NATURAL GAS CORRIDORS AND MARKET FOR A GREEN ADRIATIC-IONIAN REGION**  It appears essential for EUSAIR Member States to invest to ensure ample and secure gas supply during the next years. Gas supplies should be diversified with natural gas entering the market through several routes. New gas pipelines, gas storage, LNG regasification terminals can contribute. Interconnections would help the construction of a macro-regional market as well as counterflows towards a macro-regional trading hub. Investments in new infrastructure should be timely and part of the transition towards a low-carbon economy. | **Integrated natural gas corridors, infrastructure and market supporting the energy transition of Adriatic Ionian Region**:   * Projects supporting Trans-balkan Gas Ring: new gas pipelines, gas storage facilities and counter flows. * Projects supporting Ionian-Adriatic Gas Pipeline (IAP). The IAP is a strategic gas supply infrastructure linking. Albania, Montenegro, Bosnia and Herzegovina and Croatia to take advantage from and synergise with the Trans-balkan Gas Ring and the Trans-adriatic Gas Pipeline. The implementation of the entire Ionian Adriatic Pipeline project enables opening of the new energy corridor for the SEE region within the Southern Gas Corridor, with the aim to establish a new natural gas supply direction from the Middle East and Caspian region. * Eastern Mediterranean Gas Pipeline (East Med). Gas pipeline from the South East Mediterranean through Crete and continental Greece to exploit discoveries of off-shore gas resources. The pipeline which should connect Greece with Italy. EastMed Pipeline is a project of an offshore/onshore natural gas pipeline that will link the recently discovered off-shore gas reserves in the Levantine Basin with the Greek National gas system and with the IGI-Poseidon Pipeline to Italy. The project enables the supply of South East European markets, thereby strengthening security of supply through the diversification of sources and routes. The beginning of construction is expected in 2022. The project is estimated to be completed in 2025. * North Macedonia gas interconnectors. Three gas interconnectors are envisioned by this project: interconnection of North Macedonia natural gas system with Albania, Greece and Serbia toward a fully integrated gas network. * Natural gas trading hub for the Balkan Region. The trading hub would allow to exchange contracts, enhance competition when feasible, while promoting security of gas supply. * Future-proofing planned gas infrastructure and checking the readiness and needed investments into existing infrastructure for future repurposing. * Natural gas storage and natural gas counterflows as essentials for a well-functioning, reliable and integrated gas systems. |
| Action 1.3 | Infrastructure development for LNG logistics in the Adriatic-Ionian Region | **DEVELOPMENT AND OPERATION OF LOGISTICS FOR DIRECT LNG USE AS A CLEAN FUEL FOR THE ADRIATIC-IONIAN REGION**  Direct use can be proposed for both maritime and land transport. Small-scale LNG deployment is considered a viable option by the European Commission and several Member States. Development of LNG infrastructure would contribute to LNG use in the maritime transport to comply with the strict emission limits proposed by the European Union and International Maritime Organisation. | **LNG infrastructure, logistics and direct use of LNG for marine and road transport, as well as other use** (notably in process industry).  Also LNG can be large-scale and small-scale while allowing for the transmission of bio-LNG and synthetic methane.   * Projects related to harbor LNG infrastructure: design, construction and management of an LNG infrastructure in key harbours of the Adriatic-Ionian Sea including co-ordination of main port authorities. * Projects related to design, construction and management of a network of LNG refuelling stations for road transport * Projects to promote marine and road truck engine conversion to the LNG use as a fuel. |
| Action 1.4 | Remove barriers for cross-border investments  (Cross-cutting issues, such as the simplification of border-crossing procedures among EU Member States and non-UE Member Countries, while removing of barriers to investments by the definition of agreements and common rules and the development of joint lifelong learning, training tools and industrial partnerships.) | **/** | / |
| **Topic 2** | **/** |  | **Green Energy** |
| Objective | / | / | To promote the transition towards decarbonised energy systems in the Adriatic-Ionian Region, confront the challenge of climate change and maintain energy security and access. Priorities are: enacting the energy goals of The EU Green Deal and the Green Agenda for Western Balkans while promoting deployment of renewable energy sources, energy efficiency, low-carbon energy options and hydrogen economy. |
| Challenges / opportunities | / | / | * Overwhelming challenges of confronting climate change and reducing greenhouse gas emissions toward a net-zero carbon economy (or energy system). The must is how to decarbonise the energy system. * The region is promising in terms of potential electricity generation from RES technologies. More specifically, centralized and decentralized solar PV, as well as onshore wind are expected to make up the lion’s share in the future electricity mix across the region. * Furthermore, the economies of the region – in several cases with significantly lower GDP per capita than the EU average – could be a very attractive target for international investors in the green energy sector, provided that transparent and reliable regulatory frameworks are in place. * Making the transition to a renewables-based energy supply driven by domestic resources can enable countries to capture increasing shares of the energy value added chain within the region, progressively build domestic technological capacity and turn the energy system into a driver of clean economic growth, rather than a burden on public budgets. * Furthermore, accelerating the deployment of renewables in the region is a cost-effective strategy to reduce dependency on energy imports and improve the security of supply. At the same time, a shift to electrification of heat with renewables can avoid further investments in redundant gas infrastructure, which would be at high risk of becoming stranded if the region is to meet the goals of the Paris Agreement. * Regulatory (complex, lengthy administrative procedures, integration in spatial plans, inefficient coordination of RES regulations between countries), political (political instability), financial (fossil fuel subsidies, investment security), technical (grid integration restrictions, lack of functional power exchanges), socio-economic and environmental barriers to RES deployment * High share of CO2 emissions from power and heat sector per GDP unit in WB. * High dependency of energy sectors on fossil fuels (i.e. lignite) and hydropower (climate change effects, potential conflicts with Water Framework and Habitats Directives * Missing macro-regional data on energy efficiency. |
| Policy Framework |  |  | * Energy Community Treaty * The European Green Deal (COM 2019/640 final) * the Paris Agreement on climate change of December 2015 * Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action * Fit for 55 Package, Clean energy for all Europeans package * A Renovation Wave for Europe strategy – greening our buildings, creating jobs, improving lives (COM/2020/662 final) * Energy Performance of Buildings Directive ((EU 2018/844) * Directive on Energy Efficiency ((EU) 2018/2002) * An Economic and Investment Plan for the Western Balkans (COM(2020) 641 final) * Action Plan for the Implementation of the Green Agenda for the Western Balkans 2021-2030 * European Climate Pact |
| Key stakeholders | / | / | • European Climate, Infrastructure and Environment Executive Agency – CINEA  • Western Balkans Investment Framework (WBIF)  • Adriatic Ionian Euroregion  • Adriatic and Ionian Interregional Group at the Committee of the Regions  • Adriatic & Ionian Initiative (AII)  • Regional Cooperation Council (RCC)  • UNECE  • International Energy Agency (IEA)  • International Renewable Energy Agency (IRENA)   * Covenant of Mayors * Local Energy Agencies Networks |
| Actions | / | / |  |
| Action 2.1 |  |  | **Cooperation in deployment of renewable energy sources in the Adriatic-Ionian Region**   * Cooperation in the development and implementation of National Energy and Climate Plans. * Cooperation in the improvement of the investment environment for clean energy investments in terms of a comprehensive regulatory framework. * Preparation of renewable energy roadmap for the Adriatic-Ionian Region, mapping the renewable energy potentials, identifying implementation challenges and barriers for RES deployment, assessing the socio-economic impact of decarbonisation, and agreeing on macro-regional actions to address them. * Promotion of the use of renewable energy in the electricity sector, the heating and cooling sector and the transport sector. Support macro-regional networking and best practice sharing in renewable energy communities, decarbonized district heating solutions, self-consumption. * Explore opportunities of European initiatives such as Coal regions in transition and the Western Balkan initiative or the European Climate Pact to encourage best practice sharing, cooperation and capacity building. * Support in alignment of the Western Balkan countries with the acquis related to decarbonisation of the energy sector in the framework of the Energy Community. |
| Action 2.2 |  |  | **Improve energy efficiency through macro-regional cooperation**   * Macro-regional cooperation in all efficient energy uses, energy efficient housing and industrial processes, domotics, energy efficient public buildings and services, energy efficient mobility, new devices such as heat pumps, telemetering, digitalisation of energy delivery and end-use. District heating should also be an area of concern as well as sustainable mobility. Increased electrification of the societies towards a decarbonised economy is a must. * Macro-regional cooperation in energy efficiency research and monitoring as well as .recommendations on possible macro-regional actions. * Cooperation in the development and implementation of National Energy and Climate Plans (energy efficiency part). * Cooperation in development and implementation of National long-term renovation strategies. * Cooperate in implementing programmes addressing energy poverty in the region. * Cooperate in development/implementation of more efficient (digitalisation, monitoring) and impact-oriented integration of EU energy performance certification system /standard into national legislation. * Address administrative, legal and financial barriers to speed up a ‘renovation wave’ of public and private buildings, incl. cooperation/best practice sharing in designing innovative financing schemes or combining energy efficiency measures with renewable energy application. * Assist non-EU EUSAIR members in developing private and public building renovation schemes and securing appropriate financing, by extending the “EU renovation wave” to the Western Balkans. * Support macro-regional networking, community building, best practice sharing, capacity building and project development in energy efficiency. |
| Action 2.3 |  |  | **Cooperation on energy technology innovation and hydrogen economy**   * Energy and electricity storage, fuel cells, carbon removal and storage * Hydrogen production technology, hydrogen storage and delivery (hydrogen logistics), zero-carbon fuels, electric and hydrogen vehicles * Cooperation on energy R&D   Cooperation on advanced nuclear fission power and nuclear fusion |

**Prepared by EUSAIR Facility Point Lead Partner:**





1. EUSAIR FLAGSHIPS 2021-2027, adopted on 12th Extraordinary EUSAIR Governing Board meeting on 10 June 2020 [↑](#footnote-ref-1)
2. The indicative list of sources can be found in the Background document with the Roadmap towards the EUSAIR Action Plan revision v3 [↑](#footnote-ref-2)