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Regulatory and Energy Assistance

MEMORANDUM

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FROM: Ognjen Marković

CC: Ankica Gavrilovic

DATE: October 24, 2012

RE: REAP Memorandum Regarding the Decisions of Ministerial Council

Having in mind the Decisions issued by the Energy Community Ministerial Council dated October 18, 2012, and the discussions from the preparatory meeting held in MOFTER on September 20, 2012, REAP suggests the following proposal for potential action items for MOFTER to take on the Decisions to facilitate implementation in Bosnia and Herzegovina. We think you should send a proposal to the Council of Ministers BiH to initiate activities on the implementation of the issued decisions.

Please note that in writing this proposal we took into account the complex structure of MOFTER and Entity Governments jurisdictions for specific areas.

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From: MOFTER

To: Ministerial Council of Bosnia and Herzegovina

Subject: Changes to the Energy Community Treaty by the Energy Community Ministerial Council: Adoption of a Regional Energy Strategy and extended of the Energy Community Treaty to cover the fields of renewable energy, statistics, and maintaining a minimum stock of crude oil.

Background:

The Energy Community Treaty Ministerial Council (MC) on October 18, 2012, made decisions that extended the Treaty to the fields of renewable energy, statistics, and maintaining a minimum stock of crude oil. In addition, the MC also adopted the Energy Strategy of the Energy Community.

The importance of these decisions is that all signatory parties are obliged to implement them. Implementing these decisions has technical, legal and financial consequences for Bosnia and Herzegovina and each of the other signatory parties.

Proposals:

Having in mind the above-mentioned information and knowing that jurisdiction over the implementation of some of these decisions lay with entity governments, institutions and companies, MOFTER proposes to the Ministerial Council the following:

1. *Decision on Statistics:* Each Contracting Party shall implement Regulation (EC) No 1099/2008 on energy statistics and Directive 2008/92/EC concerning a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users not later than 31 December 2013.

Proposal: The State Statistical Agency to coordinate with entity agencies, a development of the Draft Road Map to implement the decision. In accordance to their jurisdictions, all stakeholders involved in the implementation should develop their own action plans if and when needed.

Implementers: The State and entity governments, the State and entity agencies for statistics, regulators in the field of energy and electricity and relevant companies and institutions who will be providing inputs for statistical agencies and governments.

2. *Decision on maintenance of minimum stocks of crude oil and/or petroleum products:* Each Contracting Party will implement the Decision on Implementation of Directive 2009/119/EC. The parties will have to

implement the Directive by January 1, 2023. This Directive lays down rules aimed at ensuring a high level of security of oil supply, maintaining minimum stocks of crude oil and/or petroleum products and putting in place the necessary procedural means to deal with a serious shortage. This means that the total oil stocks maintained at all times correspond, at the very least, to 90 days of average daily net imports or 61 days of average daily inland consumption, whichever of the two quantities is greater. Since the local markets of each signatory party are small, one of the options to meet these requirements is a regional approach where two or more parties should jointly construct and manage a regional oil stock.

Proposal: MOFTER should initiate with the two entity ministries, a development of the document(s) which analyze different options and measures to implement the decision. In this process, technical assistance from the IPA fund could be used to develop these options.

Implementers: MOFTER and entity ministries.

3. Decision on Renewable Energy: Having adopted this decision, the signatory parties are obliged to reach the targets for the share of renewable energy in total consumption, which is 40% for BiH. This decision contains a clause which allows the contracting parties to undertake a survey in order to better calculate the current state of the consumption of energy from renewable resources and correction of the targets if results from the survey are acceptable.

Proposal: Since BiH (both entities) disagreed with the calculation methodology which established a baseline data on the use of renewable energy, in particular the data on use of biomass, it is a priority for BiH and both entities to conduct an additional biomass consumption survey and propose changes in the targeted figures.

Implementers: MOFTER and entity ministries in accordance to their jurisdictions.

4. Regional Energy Strategy: This is the first step to create the priority list of infrastructure projects in the region. Having adopted an Energy Strategy, the MC also accepted that a set of associated policy and regulatory measures will be implemented.

On 18 Oct 2012, the MC endorsed the Strategy and recommended to continue the work in phase 2, in which Projects of Energy Community interest would be identified and prioritized. For this purpose the Energy Community Secretariat opened a Tender for Infrastructure Consultancy. The Consultant

will assist the Energy Community Secretariat in achieving these goals. It will have two prime tasks:

1. To propose a project assessment methodology based on the criteria and indicators already defined;
2. To assess the submitted electricity, gas and oil infrastructure projects according to the proposed project assessment methodology

The projects from the priority list may have support from relevant European Union funds such as the Western Balkans Investment Framework, a certain degree of fulfillment of criteria for IFI's financing, and increased visibility for investors. Therefore, BiH's full involvement in this work is more than necessary.

Proposal: MOFTER to coordinate, with entity ministries, BiH participation in the Consultant's work and that of the Task Force that will supervise this technical assistance. For the participation in this work, it is in the BiH/entities' best interest to organize local team of experts from different fields of the gas and electricity sectors.

Implementers: MOFTER, entity ministries, Power utilities from gas and electricity sector, ISO, Transco and regulators.