



BS/EN/WG/R(2001)1

**REPORT
OF THE
MEETING OF THE
BSEC WORKING GROUP ON ENERGY**

Ankara, 2-3 July 2001

1. The Meeting of the BSEC Working Group (WG) on Energy was held in Ankara on 2-3 July 2001.
2. The Meeting was chaired by Mr. T. Fikret BARAN, Deputy Undersecretary of the Ministry of Energy and Natural Resources of the Republic of Turkey.
3. The Meeting was attended by the following Member States of the BSEC:
 - Republic of Albania
 - Republic of Azerbaijan
 - Georgia
 - Hellenic Republic
 - Republic of Moldova
 - Romania
 - Russian Federation
 - Republic of Turkey
 - Ukraine
4. The representatives of the Federal Republic of Germany, Slovak Republic and the Republic of Tunisia attended the Meeting as Observers.
5. The Meeting was also attended by the representatives of the BSEC Business Council, Black Sea Trade and Development Bank (BSTDB) and International Center for Black Sea Studies (ICBSS).
6. The representatives of the Black Sea Regional Energy Centre (BSREC), U.S. Agency for International Development (USAID) and World Energy Council-Turkish National Committee (WEC-TNC) attended the Meeting as Guests.

The list of participants of the Meeting is attached as Annex I.

7. Mr. T. Fikret BARAN, Deputy Undersecretary of the Ministry of Energy and Natural Resources of the Republic of Turkey, made an inaugural statement. The text of the statement is attached as Annex II.

8. The draft agenda of the Meeting was discussed and adopted. The agenda, as adopted by the WG, is attached as Annex III.

DISCUSSION ON THE REALIZATION OF THE FEASIBILITY STUDY FOR THE INTERCONNECTION OF THE POWER SYSTEMS OF BSEC COUNTRIES / CONSIDERING THE JOINT COORDINATION OF BSEC AND SECI ELECTRICAL INTERCONNECTION PROJECTS

9. The Project on Interconnection of the Power Systems of BSEC Countries is important for the countries concerned. The Terms of Reference (TOR) related to the Feasibility Study of the project have already been adopted. However, the difficulties encountered in securing the necessary financing have blocked the commencement of the Feasibility Study.

The Delegations underlined that the project is of primary importance for the strengthening of ties among the countries towards improvement of the social and economic relations in the BSEC region, including the assistance in supplying electricity in emergency situations.

10. It was agreed to update the composition of the Steering Committee for the BSEC Project “Interconnection of Electric Power Systems of the BSEC Countries”. To this end the BSEC Member States are invited to nominate their new representatives in the above-mentioned Steering Committee in one month.

11. The BSEC Chairmanship-in-Office informed the participants on the development of the “Feasibility and Technical Study for an East-West Corridor including High Voltage Lines to Connect the Former Yugoslav Republic of Macedonia with Albania and Bulgaria, as well as the Interconnection of the Region with Turkey” which has been launched by Southeast European Cooperative Initiative (SECI) and in which several BSEC Member States, namely Albania, Bulgaria, Greece, Romania and Turkey take part, and is important to the countries involved for their integration to the UCTE grid. The TOR of the Feasibility Study have been carried out and adopted. Lately a “Regional Transmission Planning Study” has been launched by SECI so as to cover the previously initiated:

(i) Feasibility and Technical Study for an East-West Corridor including High Voltage Lines to Connect the Former Yugoslav Republic of Macedonia with Albania and Bulgaria, as well as the Interconnection of the Region with Turkey” and,

(ii) “Economic and Technical Investigation of an Integrated Balkan Electric Power Systems for Enhancing Electric Power Exchanges and Trade”.

The USAID is helping to finance both projects under “Regional Transmission Planning Study” under which the American CMS Energy Company is providing transmission planning software and technical training and support.

12. The above-mentioned BSEC and SECI interconnection projects may be considered as complementary with respect to their field of interests and geographic locations and thus be jointly coordinated and promoted within a common framework of activities, since many of the participating countries are involved both in BSEC and SECI projects of the interconnection of power systems.

13. The WG agreed on the proposal to further investigate into the possibility of the joint coordination of these interconnection projects, considering particularly the financing bottleneck in the BSEC project, in cooperation with the USAID and other interested parties.

14. The participants welcomed the offer of the Chairmanship-in-Office to provide more detailed information to the WG, especially to those countries which are not participating in the SECI project. The participants encouraged the PERMIS to coordinate with the SECI Secretariat the possibilities of mutual attendance at the upcoming BSEC or SECI Steering Group Meetings.

JOINT VENTURE OIL AND NATURAL GAS EXPLORATION AND PRODUCTION ACTIVITIES

15. Under this agenda item the WG exchanged views on the possibilities of joint venture activities and exchange of data in oil and gas exploration and production within the BSEC Countries.

16. It was agreed to continue the consideration of this issue with a closer involvement of private and state companies that develop their business in the Black Sea and Caspian Region.

17. The participants welcomed the initiative of the International Center for Black Sea Studies (ICBSS) to prepare a sectoral study on joint venture activities in oil and natural gas exploration and production in the BSEC region and with this goal in mind to organize a Conference of energy specialists in cooperation with the Center of European Political Studies (CEPS).

INCREASING ENERGY EFFICIENCY IN END USE SECTORS

18. The participants emphasized that higher energy efficiency in the Member States and wider introduction of energy saving technologies shall be at the center stage of the Black Sea Economic Cooperation. To attain this objective, the Member States are

expected to encourage the establishment of energy efficiency centers, training programs for energy conservation and energy management as well as other relevant measures.

19. The Delegations took note with interest of the experience accumulated in this sphere by the USAID, BSREC and ICBSS. They welcomed the steps undertaken by the BSTDB to develop a financing program to promote energy efficiency projects in the region.

20. Furthermore, the participants expressed the opinion that an expert group on energy efficiency could be set up by the BSEC Member States with a view to facilitating the gradual establishment of a regional market for energy efficiency services.

DEVELOPMENT OF A REGIONAL ENERGY MARKET AMONG THE BSEC MEMBER STATES

21. While elaborating this agenda item, the participants highlighted in particular, the following aspects:

- the energy industry is increasingly international in nature;
- market liberalization pressures are affecting all national energy markets;
- some of the BSEC Member States are either EU members or candidates and therefore committed to adapting and implementing the EU Electricity and Gas Directives, which will have potential implications beyond the EU Member States;
- the BSEC region possesses a significant potential role in transporting energy (oil/gas) from the Caspian and Caucasus to the European Markets;
- the current and prospective changes in the global energy industry will have an impact on the entire Black Sea region in the foreseeable and/or long term future.

22. In this context, it is advisable that an “ad hoc” BSEC Group of Experts be established to elaborate a Plan of Action for developing a Regional Energy Market within the BSEC region with particular reference to electricity and gas markets.

23. The WG expressed the view that as an initial course of action the following steps could be carried out:

- exchange of views on the political, economical and regulatory aspects of the possible modalities of cooperation among the BSEC Member States;
- exchange of experiences gained in regulatory reforms in electricity and gas sectors;
- considering and endorsing concrete steps for realizing mutually agreed action plans with a view to developing a Regional Energy Market within BSEC process deserve particular attention.

RESTRUCTURING OF ELECTRICITY AND GAS SECTORS

24. In line with the general overall trend towards market liberalization and privatization driven by the EU Electricity and Gas Directives, improved physical market infrastructure will motivate intra-regional trade and investments.

In this regard, restructuring of electricity and gas sectors in the BSEC Region shall no doubt pave the way for facilitating and accelerating socio-economic development and intra-regional cooperation, taking due account of the complementary variations between the economical, geographical and political circumstances of the Member States.

In particular, the interconnection of the electric power grids in the BSEC region could be regarded as a key component of the regulatory reforms in the electricity sectors of the Member States.

25. As an initial course of action, the participants agreed to exchange experiences gained in regulatory reforms in the electricity sectors of the BSEC Member States on a regular basis and for this purpose to include the issue of restructuring of electricity and gas sectors in the draft agenda of the next Meeting of the WG on Energy.

BLACK SEA ECONOMIC COOPERATION ORGANIZATION AGREEMENT ON EARLY NOTIFICATION AND EXCHANGE OF INFORMATION IN THE EVENT OF A RADIOLOGICAL EMERGENCY

26. The Delegations took note of the Draft “Black Sea Economic Cooperation Organization Agreement on Early Notification and Exchange of Information in the Event of a Radiological Emergency” prepared by the Turkish Chairmanship-in-Office of the BSEC. They agreed to report this proposal to the relevant national authorities with a view to coming back to this issue for a more detailed discussion at the next Meeting of the WG on Energy.

PEACEFUL USES OF NUCLEAR ENERGY AGREEMENT

27. The participants exchanged preliminary views regarding the concept paper submitted by the BSEC Turkish Chairmanship-in-Office for the drafting of a “Peaceful Uses of Nuclear Energy Agreement”.

28. Upon the proposal of the Turkish Delegation, it was suggested to set up a special expert group among the nuclear experts of BSEC Member States to discuss, draft and finalize the technical details of the scope of application of both Agreements.

29. The Member States are invited to provide the BSEC PERMIS with eventual draft provisions of the said Agreement thus enabling the WG on Energy to dwell on this subject at its next Meeting.

EXPRESSION OF THANKS

30. The delegations expressed their sincere gratitude to the Government of the Republic of Turkey, Turkish Ministry of Energy and Natural Resources, Turkish Electricity Generation and Transmission Corporation (TEAŞ), Turkish Petroleum Corporation (TPAO) and Petroleum Pipeline Corporation (BOTAS) for the hospitality extended to them and for the excellent arrangements made for this Meeting.

DATE AND VENUE OF THE NEXT MEETING

31. The WG agreed that the date and venue of its next meeting would be communicated to the Member States through the BSEC PERMIS.

ADOPTION OF THE REPORT

32. The WG adopted the present report for the submission to the Committee of Senior Officials and the Fifth Meeting of Council of Ministers of Foreign Affairs.
