



BS/EN/WG/R(2002)1

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

Istanbul, BSEC Headquarters, 5-6 September 2002

1. The Meeting of the BSEC Working Group on Energy was held in Istanbul at the BSEC Headquarters, on 5-6 September 2002.
2. The Meeting was chaired by Mr. Bujar LEKA, Director of Foreign Relations and Project Department, Ministry of Public Economy and Privatization of the Republic of Albania.
3. The Meeting was attended by the following Member States of the BSEC:
 - Republic of Albania
 - Republic of Armenia
 - Republic of Azerbaijan
 - Republic of Bulgaria
 - Hellenic Republic
 - Republic of Moldova
 - Romania
 - Russian Federation
 - Republic of Turkey
 - Ukraine
4. The representatives of the Arab Republic of Egypt, Italy and Republic of Poland attended the Meeting as Observers.
5. The Meeting was also attended by the representatives of the Parliamentary Assembly of the BSEC (PABSEC), BSEC Business Council (BSEC BC) and International Center for Black Sea Studies (ICBSS).
6. Dr. Lulin RADULOV, Director of the Black Sea Regional Energy Centre (BSREC) attended the Meeting as Guest.

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

7. The draft agenda of the Meeting was discussed and adopted. The agenda, as adopted by the Working Group, is attached as Annex II.

REVIEW OF THE RECENT DEVELOPMENTS OF THE BSEC WORKING GROUP ON ENERGY

8. The Meeting started with a review of the recent activities of the Working Group on Energy presented by the BSEC International Secretariat. The presentation was focused on the project concepts being promoted by the WG on Energy and the outcome of the last meeting of the WG on Energy (Ankara, 2-3 July 2001) with a view to ensuring the follow up of the decisions previously adopted.

INTERCONNECTION OF ELECTRIC POWER SYSTEMS IN THE BSEC REGION

9. The delegations highlighted the considerable progress achieved so far in the continuing process of interconnection of national electric grids in the BSEC region. Particular emphasis was made on the experience accumulated during the last year on the parallel work of the power systems of Russia, Ukraine and Moldova, the completion of the second high voltage line (400 kV) between Bulgaria and Turkey, the ending of one-year interconnected operation tests of the power systems of Bulgaria and Romania within the UCTE network by 2003, the completion of the studies for the construction of a high voltage line (400 kV) between Greece and Turkey and of upgrading the high voltage line (150 kV to 400 kV) between Greece and FYROM.*

10. The delegations evaluated the ongoing work towards the full integration of Romanian and Bulgarian power systems into the UCTE network and the process that started to synchronize the Turkish power system with the UCTE network as well as the preparatory work to synchronize IPS/UPS with the power systems of the South Eastern Europe countries.

11. The participants expressed their confidence that a better integration of electric grids can benefit all the countries of the Region and exchanged views on the prospect ways of further interconnecting the power systems of the BSEC Member States. In this context it was mentioned that the following steps would be advisable:

- to update the Terms of Reference for the Feasibility study on interconnection of electric power systems in the BSEC region;
- to envisage a better prioritisation of the project of interconnection of electric grids aiming to achieve concrete results of project implementation;
- to monitor closely the steps aimed to facilitate the interconnection of the interested Member States with the emerging energy market of the South Eastern Europe as well as the electricity trade in the Caucasus region involving the power systems of Russia, Azerbaijan, Georgia and Armenia.

* The delegation of the Republic of Turkey stated: "The Republic of Turkey recognizes the Republic of Macedonia with its constitutional name".

12. The delegations regard the interconnection of electric grids as the primary and the most essential precondition for the establishment and successful functioning of the regional energy market and deem it appropriate that this topical issue remain at the core of activities of the Working Group on Energy in accordance with the resolutions of the BSEC Council of Ministers of Foreign Affairs and the decisions adopted by the Meetings of Ministers of Energy of the BSEC Member States.

POSSIBILITIES FOR CREATING OPEN ELECTRICITY MARKETS IN THE BSEC REGION AND, IN PARTICULAR, FOR ENHANCING THE ELECTRICITY EXCHANGE IN BALKANS

13. Under this Agenda item the Delegations shared information on recent developments in liberalizing their national electricity systems and ongoing regulatory and administrative reforms for the restructurization of the energy sector. It was agreed to further monitor the steps aimed to establish transparent and competitive power markets and exchange experience in this field.

14. The Delegations referred to the initiative launched recently under the auspices of the Stability Pact aimed at establishing a Regional Energy Market in the South Eastern Europe and evaluate the experience accumulated so far in this sphere with a view to jointly coordinating and promoting within a common framework of activities the process of establishing open energy markets in the BSEC Region and on Balkans, since many of the participating countries (namely Albania, Bulgaria, Greece, Romania and Turkey) are involved both in the BSEC and the Stability Pact.

CONSIDERATION OF EVENTUAL MODALITIES OF INTERACTION BETWEEN THE BSEC WORKING GROUP ON ENERGY AND THE BSEC PROJECT DEVELOPMENT FUND

15. The delegations took note of the information on the forthcoming establishment of the BSEC Project Development Fund and the regulatory documents endorsed by the BSEC Council of Ministers of foreign Affairs for the functioning of the Fund, specifically, the “Rules and Regulations of the BSEC Project Development Fund” and the documents referring to the “Role of the BSEC organs in the Project Development” and the “Project selection criteria within the BSEC” (attached correspondingly as annexes III, IV and V).

16. The Member States and interested electricity utilities will submit to the BSEC International Secretariat their proposals on project promotion and other appropriate ways of interaction with this Fund, once it starts functioning, in order to promote the project ideas concerning the cooperation in the energy field, including electricity trade.

PREPARATION OF THE INTERNATIONAL CONFERENCE ON “ENERGY CHALLENGES IN THE BLACK SEA, THE CASPIAN AND CENTRAL ASIA: PROMOTING REGIONAL COOPERATION”

17. Being informed by the Alternate Director General of the International Center for Black Sea Studies (ICBSS) of the preparatory work for convening the International Conference on “Energy Challenges in the Black Sea, the Caspian and Central Asia: Promoting Regional Cooperation” in Halki, Greece (11-15 September 2002), the Working Group expressed

satisfaction that its relevant recommendation on this subject has been endorsed by the BSEC Council of Ministers and would be implemented by the ICBSS.

18. The participants were particularly encouraged by the fact that the ICBSS has launched necessary preparation of a sectoral study on joint venture activities in oil and natural gas exploration and production in the BSEC region in cooperation with the Center of European Political Studies (CEPS) and called upon relevant national energy authorities to assist in this work.

19. The members of the Working Group recommended that such a study should be policy oriented and be focused on accessing an energy potential of the BSEC region so that it could assist the Member States in creating a viable regional energy market.

20. The Participants expressed the hope that the forthcoming Conference and a sectoral study would contribute substantially to the strengthening of the BSEC collaboration and pave the road to the establishment of a closer relationship between the BSEC and the EU.

REPORT OF THE BSEC BUSINESS COUNCIL ON THE FIFTH ANNUAL CERA CONFERENCE: "A TALE OF THE THREE SEAS: EURASIA, THE MIDDLE EAST AND THE QUEST FOR ENERGY MARKETS"

21. The Secretary General of the BSEC Business Council gave a report on the 5th Annual Energy Conference "A Tale of Three Seas: Eurasia, Middle East and the Quest for Energy Markets" which was once again organized jointly by the Cambridge Energy Research Associates (CERA), DEIK and the BSEC Business Council. It took place in Istanbul on June 25-27, 2002.

22. The key topics discussed at the Conference were emphasized, in particular:

- Interconnection of natural gas networks of Turkey and Greece
- Baku-Tbilisi-Ceyhan pipeline
- Progress of Blue Stream
- Energy investment and Geopolitics of the Middle East
- Oil Transportation in the Turkish Straits
- LNG in the Mediterranean
- Other issues related to East and West Energy Corridor
- Development of the Caspian Oil and Gas

More detailed information can be found at <http://www.cera.com/event/istanbul2002/prez>

23. The next CERA Conference will take place in Istanbul in June 2003. The BSEC Business Council should be contacted for more information.

ANY OTHER BUSINESS

24. On the margins of the core discussion the following additional proposals were submitted:

- to extend the list of issues considered by the Working Group on Energy; in particular, the energy transit potential of the BSEC region and renewable energy could form subjects of discussion of the Group;
- the anticipated presentation of the BSEC PERMIS at the above-mentioned Halki Conference shall pay due account to the results of this meeting;
- the relevant Committee of the Parliamentary Assembly of the BSEC may find it advisable to consider the issue relating to the social-economic consequences of the development of the energy industry with a view of exploring the ways of providing support to the poor social categories.

25. The participants took note of the presentation made by the delegation of the Republic of Turkey on the establishment and activities of the National Energy Conservation Center of Electric Power Resources Survey and Development Administration (EIE/NECC). The Member States were invited to make good use of the opportunities provided by the functioning of the EIE/NECC which has the capability to organize international training courses in cooperation with international organizations under the umbrella of the Regional Energy Conservation Training Center in case of any financial support by the relevant international organizations and other interested institutional sponsors.

DATE AND VENUE OF THE NEXT MEETING

26. The Working Group 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

27. The Working Group adopted the present report for the submission to the Committee of Senior Officials and the Seventh Meeting of Council of Ministers of Foreign Affairs.
