

**ENERGY CHARTER
SECRETARIAT**

CCDEC 2015

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Brussels, 3 December 2015

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: EU Regional Energy Cooperation Programme with Eastern Partnership and Central Asian Countries

The Energy Charter Conference at its 26th Meeting held on 3 December 2015 **took note** of the EU Regional Energy Cooperation Programme with Eastern Partnership and Central Asian Countries (attached hereto) as introduced by the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) of the European Commission.



This Action is funded by the European Union

ANNEX 1

of the Commission Implementing Decision on the ENI East Regional Action Programme
2015 Part 3

Action Document for Energy Policy in Eastern Partnership countries and Central
Asia

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in sections 5.3.1 and 5.3.2 concerning grants awarded directly without a call for proposals

1. Title/basic act/ CRIS number	Energy Policy in Eastern Partnership countries and Central Asia CRIS numbers: ENI/2015/38141 and ENI/2016/38613 Financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	Neighbourhood countries: Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova ¹ , Ukraine (further called Eastern Partnership countries or EaP countries). Countries neighbouring the Neighbourhood region: Turkey Central Asia countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan in accordance with Article 16.1 of Regulation (EU) 232/2014 (ENI Regulation). The action shall be carried out at the following location: countries as listed above.
3. Programming document	European Neighbourhood Instrument (ENI) Regional East Strategy Paper (2014-2020) and Multiannual indicative Programme (2014-2017)
4. Sector of concentration/ thematic area	Eastern Partnership priorities including Flagship Initiatives: Deepening sustainable economic development and integration and sector governance; Priority 7.1.2, 5 th bullet point of RIP 2014/2017

¹ Hereinafter referred to as Moldova.

	<p>Energy Flagship initiative; Priority7.1.4, 3rd bullet point of RIP 2014/2017 and Energy and Transport initiatives involving the wider region (enhancing the existing cooperation between the EU, partner countries and Central Asia in the field of energy) Priority7.3, 1st bullet point of RIP 2014/2017</p>			
<p>5. Amounts concerned</p>	<p>Total estimated cost: EUR 21 million Total amount of EU budget contribution EUR 20 million The contribution is for an amount of EUR 14 708 172.60 from the general budget of the European Union for 2015 and for an amount of EUR 5 291 827.40 from the general budget of the European Union for 2016, subject to the availability of appropriations following the adoption of the relevant budget. This action is co-financed in joint co-financing by: the International Energy Agency (IEA) for an amount of EUR 650 000; the Energy Community Secretariat (EnCS) and Energy Charter Secretariat (ECS) for an amount of EUR 350 000.</p>			
<p>6. Aid modality(ies) and implementation modality(ies)</p>	<p>Project Modality Direct management Grants – direct award Procurement of services</p>			
<p>7. DAC code(s)</p>	<p>23010 Energy policy and administrative management</p>			
<p>8. Markers (from CRIS DAC form)</p>	<p>General policy objective</p>	<p>Not targeted</p>	<p>Significant objective</p>	<p>Main objective</p>
	<p>Participation development/good governance</p>	<p><input type="checkbox"/></p>	<p>X</p>	<p><input type="checkbox"/></p>
	<p>Aid to environment</p>	<p><input type="checkbox"/></p>	<p>X</p>	<p><input type="checkbox"/></p>
	<p>Gender equality (including Women In Development)</p>	<p>X</p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>
	<p>Trade Development</p>	<p>X</p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>
	<p>Reproductive, Maternal, New born and child health</p>	<p>X</p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>
	<p>RIO Convention markers</p>	<p>Not targeted</p>	<p>Significant objective</p>	<p>Main objective</p>
	<p>Biological diversity</p>	<p>X</p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>
	<p>Combat desertification</p>	<p>X</p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>
	<p>Climate change mitigation</p>	<p><input type="checkbox"/></p>	<p>X</p>	<p><input type="checkbox"/></p>
	<p>Climate change adaptation</p>	<p><input type="checkbox"/></p>	<p>X</p>	<p><input type="checkbox"/></p>

9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A
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SUMMARY

This action builds on the long running INOGATE Programme and the lessons learnt from it; the outcomes of the "Energy Policies Beyond IEA Countries: Eastern Europe, Caucasus and Central Asia"², an International Energy Agency (IEA)-led compendium of peer reviews of energy policy developments in INOGATE Partner Countries; and the conclusions of the "Global assessment of the EU support provided in the field of energy in Eastern Partnership countries and Central Asia (2007-2013)"³, an independent evaluation of the EU support in the region during that period.

The objective of the proposed action is to **support sound elaboration and implementation of evidence-based medium to long term energy policies in partner countries, based on improved use of statistics and sharing of best practice and EU experience.**

This action will contribute to partner countries' developments in achieving commercially and environmentally sound energy sector developments with adequate policy and governance design/structures, in line with the general economic outlook and developmental goals. It will guide partner countries to making sound policy and investment decisions to support long-term developmental goals for both public and private ventures. It will also guide partner countries in further developing energy sector statistics and in using those statistics in evidence-based energy policy development. The action will aim at promoting functional energy market designs, clear and transparent pricing mechanisms for enhanced consumer protection and most importantly the rule of law. It will address energy security concerns, both for producer and consumer countries and encourage diversifications of supply routes and sources as well as export markets. The action should support a reduction in partner countries' dependency on fossil fuels and imports, sustainable development and use of renewable energy resources and overall climate change mitigation. The action will enhance energy data management and use at both national and international levels. It will also help foster closer collaboration between the partner countries at regional level and promote regional interconnections. The action will also support direct implementation of some of the policy recommendations, on a demand basis, in Eastern Partnership countries (EaP countries).

² Contract ENPI/2012/300-657 - Preparation of the INOGATE Status Report in the Eastern Partnership and Central Asia countries – Publication available at <http://www.iea.org/newsroomandevents/pressreleases/2015/april/iea-reviews-energy-policies-countries-in-eastern-europe-caucasus-central-asia.html>

³ Contract ENPI/2014/345-493

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 Public Policy Assessment and EU Policy Framework

In the framework of two conferences for Ministers of Energy, held respectively in Baku in 2004 and in Astana in 2006, the EU, the Eastern Partnership (EaP) countries and Central Asia (CA) countries endorsed the Baku Initiative and the related Astana Energy Roadmap. These documents set out four objectives for regional cooperation in the energy sector: energy security; market convergence; sustainable energy; and investment attraction. Road maps established that these objectives would be pursued with a variety of cooperation initiatives funded by the European Union (EU), in particular the INOGATE⁴ Programme that had been launched in 1996 as a regional energy-sector initiative with EU funding.

The EU has adopted Action Plans with each EaP country (except Belarus) within the framework of the European Neighbourhood Policy (ENP), which is currently under review. The EaP Informal Partnership Dialogue on Energy held at ministerial level in Baku (September 2014) has confirmed that energy security and energy cooperation remain chief priorities for the regional cooperation with the EU.

Under the Eastern Partnership, a **Platform** on Energy Security has been established, which identifies a number of core objectives including approximation of energy policies; energy solidarity; infrastructure development, interconnection and diversification of supply; and promotion of sustainable energy. This platform focusses currently on exchange of information and practices on energy-related policies but has the potential to become an instrument where the energy regulatory and investment framework in partner countries can be discussed. The multilateral track of the EaP is also advanced through a number of flagship initiatives, which give additional momentum, concrete substance and more visibility to the Partnership. This regional assistance to energy is part of what underpins the **Energy Flagship Initiative**. The goal of further promoting and strengthening the flagship initiatives was set at the Eastern Partnership summit held in Vilnius in November 2013 and has been reinforced the Riga summit in May 2015. The energy cooperation objectives mentioned in its para 28 indicate:

"The participants of the Summit reaffirm their common interest in strengthening energy security, sustainability and competitiveness and in enhancing the diversification of supply. They reiterate their intention to deepen further bilateral and multilateral cooperation in the sphere of energy. Participants emphasise the need for well-functioning energy markets with a stable, transparent and investor-friendly regulatory framework, rule of law and a gradual liberalisation of the market, when appropriate, to provide a basis for investments. They will promote an inclusive and open policy on energy security, transportation and supply. They underline the

⁴ INOGATE originated in 1995 as an EU support mechanism dealing with **IN**terstate **O**il and **GA**s **T**ransportation to **E**urope (whence it derived its name as an acronym). With the broadening of scope of the programme, the full name is not used anymore, only the acronym.

contribution that energy efficiency and renewable energy can make to increased security of supply, and encourage practical cooperation between the EU and Eastern European partners in this respect."

At bilateral level, there are a number of Memoranda of Understanding (MoU) in the energy sector signed by the EU with: Azerbaijan, Kazakhstan, Turkmenistan, Ukraine and Uzbekistan, as well as a joint declaration with Belarus,. With Ukraine, discussions are ongoing for an upgraded Energy partnership, reflecting new priorities for the EU-Ukraine cooperation in the energy sector.

At regional level, the last high-level conference on energy dates from 2006 (the Astana Ministerial). However, the Astana roadmap and the regional group has lost part of its momentum, as the EaP on one hand and CA on the other hand are more and more characterised by different needs:

- in the Eastern Partnership, the EU has signed **Association Agreements**, including a Deep and Comprehensive Free Trade Area (DCFTA), with Georgia, Moldova and Ukraine. These agreements include commitments in the energy sector, on energy security and energy markets, and also aiming at a more efficient use of energy and the development of renewable energy sources.

Another important legal framework is the **Energy Community Treaty** (EnCT). The EnCT imposes on its signatories (Ukraine and Moldova as full members; Georgia as candidate to membership and Armenia as observer) an obligation to implement the most relevant EU energy acquis on electricity, gas, renewables, energy efficiency, energy-related environment legislation, energy statistics, competition law principles and oil stocks. These requirements have been integrated in the Association Agreements for the countries that are members of the Energy Community Treaty. In addition, all EaP countries have commitments under the Eastern Partnership's Platform III on Energy Security.

- in Central Asia, countries have substantially strengthened economic and trade ties with markets in Asia, including in the energy sector with countries such as Turkmenistan and Uzbekistan developing gas exports to China. Kazakhstan is a founding member of the Russian Federation-led Eurasian Customs Union in 2010, joined by Kyrgyzstan in May 2015 and possibly soon to be joined by Tajikistan. In the review of the **EU-Central Asia Strategy (2014-2020)**⁵, cooperation in the energy sector remains a priority area, specifically in terms of the integration of energy markets and sustainable energy (renewables and energy efficiency).

The tendency is to move towards a more differentiated, focused and nuanced approach between the different countries of these regions, including in terms of financial supporting instruments. From 2014, the European Union cooperates with the Eastern Partnership countries through actions financed under the European Neighbourhood

⁵ Council conclusions of 22 June 2015

Instrument (ENI) and with Central Asia under the Development and Cooperation Instrument (DCI). The same applies to the blending mechanisms: two different investment facilities, the Neighbourhood Instrument Facility (NIF) and the Financial Instrument for Central Asia (IFCA) have been developed.

In March 2015, the European Commission issued a Communication⁶ with the objective of building an **Energy Union** with a forward-looking climate policy on the basis of the Commission's framework strategy, whose five dimensions are closely interrelated and mutually reinforcing (energy security, solidarity and trust; a fully integrated European energy market; energy efficiency contributing to moderation of demand; decarbonising the economy; and research, innovation and competitiveness), with implications on its external dimension.

A new '**International Energy Charter**' has been adopted and signed on 21 May 2015 by over 65 countries and organisations including the EU and all EU countries at a High-Level Ministerial Conference held in The Hague, the Netherlands. All countries beneficiary of this action are signatories of the new International Energy Charter, which covers a range of energy issues including the development and liberalisation of international trade in energy, the development of efficient energy markets, the promotion and protection of energy investments, access to and development of energy sources, nuclear safety, energy efficiency and environmental protection. The new Charter modernises the existing European Energy Charter of 1991 which also counts all EU countries as well as a number of non-European countries among its signatories. In 1994, it was followed by the Energy Charter Treaty which contains legally binding rules for trade, transit and investment protection in the energy sector and has binding dispute resolution procedures.

The **International Energy Agency** (IEA) provides international obligations and standards for 29 countries that are members of the Organisation for Economic Co-operation and Development (OECD) which are becoming international standards and best practices. Key areas of focus for the IEA are energy security, environmental protection and economic development. The IEA studies energy-related developments in energy producing and consuming countries throughout the world, and examines the global context for policy decisions. Energy sector surveys undertaken by the IEA include regular reviews of member countries as well as a list of non-member countries, including all countries beneficiary of this action. The Agency hosts periodic multilateral technical-level meetings with experts from energy producing and consuming countries to promote understanding and co-operation; organises seminar/workshops on specific topics, such as emergency response policies, and energy efficiency and regulatory issues with non-member countries; and has recently developed a more formal training and capacity building programme.

⁶ COM(2015) 80 final – 25-02-2015 A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy

1.1.2 Stakeholder analysis

The action is targeted at several actors, primarily government authorities in the partner countries, who need to improve their energy policies and institutional capacity in order to unleash the potential of the region to shift to a sustainable path and growth. The action will involve various arms of the government, including ministries of energy, environment and economy, statistical offices and regulatory agencies and public institutions dealing with energy efficiency, renewable energy and energy markets. The private sector actors and the international financial institutions (IFIs), as well as national and international non-governmental (NGO) sector will be important partners within this action. The action will be implemented in close cooperation with related domestic and international projects in the region.

The **main direct beneficiaries** and stakeholders for the action include the following:

- Ministries of energy, of natural resources, of economy, of finance, of regional development, of industry, of environment, of transport and of new technologies and corresponding parliamentary (or relevant legislative authority) committees
- Transmission systems operators (TSO) for electricity and gas
- National energy regulators
- National statistical institutes (NSI) in each partner country
- Energy agencies,

Other key **indirect beneficiaries** and stakeholders include:

- Energy services companies, audit centres
- Private sector companies and investors
- Civil society organisations working on energy and climate change issues
- Regional and local authorities
- Any other relevant entity dealing with policy making or implementation in relation to the Energy sector

The **final beneficiaries** will be the citizens of the countries, who will benefit from enhanced energy security, access and affordability of energy commodities, transparency over the energy markets and energy pricing, improved quality of life resulting from environmental effects of actions in energy efficiency and renewable energy fields.

1.1.3 Priority areas for support/problem analysis

Over the past two decades, alongside political and economic developments, a diversity of regional preferences has continued to emerge, based on each country's political and economic interests and aspirations. Energy markets that were originally set up to suit central planning were no longer effective and the resulting variety of structural and economic transformation has had a huge impact on the energy sector.

Central to many of the decisions made on the energy mix in the region is energy security. A priority for the region's import-dependent countries has been diversifying import sources and routes to minimize dependence on one single source. Although recurrent supply shortages indicate a need for reliable primary or alternative fuel storage structures, this costly option has not yet been considered as a measure for enhanced energy security.

Recent developments in Ukraine have also drawn attention to the importance of sound emergency response procedures, with well-elaborated demand restraint programmes for import-dependent countries. Although industry is able to deal with wide-ranging, short, technical faults in the system, backed by reliable technical procedures, a larger supply-disruption response mechanism is yet to be put in place in most import-dependent countries in the region.

Central to energy security is also the quality and availability of energy statistics. Without comprehensive data overview, and the know-how to use data in evidence-based policy development, planning and monitoring, partner countries cannot take full advantage of potential developments and may be running the sector inefficiently, exposing it to security risks.

Although levels of electrification and access are relatively high in the region, the energy infrastructure itself is aging and requires a high level of maintenance, modernisation or rehabilitation throughout the energy supply chain. The large capital investments required are particularly difficult to mobilise under the current pricing and regulatory structures in countries where prices remain below cost recovery levels. Fixed energy infrastructure, including centralised district heating systems and natural gas and power transmission and distribution networks are most at risk. A lack of investments resulting in further inefficiencies and loss of capacity over time could put energy security in further jeopardy.

The way forward for these countries is **cooperation and evidence-based strategic planning** for a sustainable future.

Activities under this action will therefore be focused on: transparent elaboration and sharing of energy data and sector developments; enhancing energy data collection and use; sharing best practice examples; and promoting developments of functional energy market designs with clear and transparent pricing mechanisms for enhanced consumer protection and rule of law. The action will address energy security concerns, both for producer and consumer countries and encourage diversifications of supply routes and

sources as well as export markets. In the Eastern Partnership countries it will support the concrete implementation of the association agenda in the domain of energy (change of the legislative and regulatory framework, new practices and procedures) and will promote use of best practice and approximation of the EU acquis where partner countries deem it relevant.

The action will support decisions that are intended to lead to a reduction in partner countries' dependency on fossil fuels and imported energy, the sustainable development and use of energy resources and overall climate change mitigation. The action is intended to enhance energy data management and use at both national and international levels for evidence-based policy and to improve partner countries' energy legislative and regulatory framework. This would also contribute to making the investments in energy infrastructure more attractive. It is also intended to help foster closer collaboration between the partner countries at regional level and promote regional interconnections.

The activities under this action will take into account the different needs of the countries, given that the EaP countries have commitments under Eastern Partnership Platform III on Energy Security, EnCT as well as Association Agreements and Deep and Comprehensive Free Trade Areas (Ukraine, Moldova and Georgia).

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Unstable political situation in the countries - change in government priorities	M	Building on the positive experience of past projects, the EU will continue a regular policy dialogue with governments to facilitate collaboration on energy issues. This will help to maintain continuity with achievements made so far and strengthen trust between the governments, the EU and implementing partners. Commitments under the Eastern Partnership Platform III on Energy Security, the Energy Community Treaty as well as the Association Agreement and Deep and Comprehensive Free Trade Areas and Memoranda of Understanding/Joint Declarations represent additional key frameworks for countries' closer collaboration. The regional dimension of the action also contributes to reduce the impact of this risk.
Energy is not a political priority - lack of political will to collaborate with the	L	This risk will be mitigated by ensuring appropriate steering of the action. Partner countries' commitment at high political

EU on energy issues		level will be required for a successful outcome of the action.
Lack/discontinuity of human resources - weak institutional memory	L	The action will work with a wide number of experts and provide training of trainers in order to create additional skilled human resources. The involvement of international organisations in the steering of the action will also trigger progress from partner countries towards international standards and best practices. Institutional memory will be enhanced through a better collaboration with international organisations (compared to collaboration with private sector consortia).
Lack of will to address energy policy reforms on a sound economic basis	M	The action will provide the necessary information and support to partner countries to make appropriate choices. Partner countries' commitment at high political level will however be required for a successful outcome of the action.
Lack of commitment of some partner countries to participate in some of the activities (policy-making, sharing statistics & indicators)	M	The action will propose to the 11 countries (or 6 countries for component 3) to participate, but will work only with the countries interested. Experience from INOGATE shows that 9 countries (and 6 countries for component 3) have demonstrated their firm interest and willingness to collaborate actively on these specific subjects.
Assumptions		
Countries are allocating necessary human and financial resources for the development and implementation of policy reforms and to support/scale up pilot projects.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The proposed action builds on lessons learnt from:

- the previous INOGATE Programme;
- the "Energy Policies Beyond IEA Countries: Eastern Europe, Caucasus and Central Asia", an IEA-led compendium of energy policy peer reviews of energy policy developments in INOGATE Partner Countries;

- the conclusions of the "Global assessment of the EU support provided in the field of energy in Eastern Partnership countries and Central Asia (2007-2013)", an independent evaluation of the EU support in the region during that period.

The key lessons outlined by these experiences are summarised below:

- **INOGATE projects** have resulted in significant impact in:
 - Getting partner countries working together on policy issues (peer reviews) and learning from EU experience; and
 - Assisting partner countries in specific areas, such as: statistics and compilation of energy balances, gas losses analyses, renewable energy potential and, on a case by case basis, support for secondary legislation, norms and standards, cross border trade, energy efficiency, awareness raising.
- **Support on energy policy at a regional level** is highly relevant to the needs of the countries; additional technical assistance is needed to address legal and institutional weaknesses to ensure approximation to EU acquis and an evidence-based strategic planning.
- The **Baku Initiative** and the **Astana Roadmap** are no longer recalled by the countries in the region: the original objectives of these political programmes were high level energy policy goals, that are still valid but with a higher degree of differentiation between countries.
- Partner Countries have diverged considerably in their policies so they are no longer a coherent group for applying a single regional energy programme: the value added of **regional policy discussions** is confirmed, but it is recommended to consider **different groups** of countries, depending on the specific subject, while also keeping an umbrella grouping of all countries for the purposes of consultation and planning and also for activities that are of common interest to all countries (such as energy statistics).
- We are witnessing a progressive **divergence between Eastern Partnership and Central Asia**, resulting in diverging interests and different level of involvement of the countries with the EU's external energy policy initiatives. Some countries have also decided to join the Eurasian Economic Union. A more differentiated approach to cooperation on energy is needed:
 - For Energy Community Treaty/DCFTA countries: focus on the implementation of the EU acquis as laid down in the EnCT and in the respective chapters of the Association Agreements/DCFTA.
 - For other Eastern Partnership countries: although not bound by the Energy Community Treaty, many have a strong interest in cooperation on energy with the EU, for example on renewable energy and energy efficiency, plus, on a case by case basis, the EU approaches and best practice.
 - For Central Asian countries: strong interest in energy policy discussions at a regional level, and in cooperation with the EU in terms of energy statistics.

Energy efficiency and the nexus water-energy, although of strong interest, may be supported at Central Asia regional level through the Development and Cooperation Instrument (DCI) (still to be confirmed).

- There is a wide recognition of the **added value of EU or international organisations** (Eurostat, Energy Community Treaty, Energy Charter, and International Energy Agency) to trigger progress from partner countries towards international standards and best practices. These international organisations/secretariats of Treaties/conventions also provide added value in terms of institutional memory of support activities to partner countries.
- There is a need to better link activities of regional actions to national policy dialogue and priorities, and **EU Delegations** have a key role to play in this process.
- The specific role of **civil society** - making Governments accountable for their decisions – is gaining importance.
- Policy-makers and relevant stakeholders (including civil society) need to have an **easier access to reliable energy information**.
- The Neighbourhood Instrument Facility (NIF) and the Investment Facility for Central Asia (IFCA) can help with the **financing of infrastructure through blending**. With regard to EnCT contracting parties, the Project of Energy Community Interest (PECI) list provides a list of priority projects that could be financed by NIF. But, with regard to strategic projects in energy infrastructure at regional level and beyond the EnCT, there is a need to have a **list of priority projects** and agree with partner countries and IFIs on strategic projects where the EU should invest – in particular through NIF, with a view of enhancing energy security and energy connectivity within the region.
- **Covenant of Mayors, E5P** (Eastern Europe Energy Efficiency and Environment Partnership), **MPSF** (Municipal Project Support Facility) are an efficient and attractive way to work at **municipal level** on sustainable energy (energy efficiency and renewable energy systems). Moreover, links with national authorities have been established within the framework of the Covenant of Mayors.
- The overall package of regional instruments tends to lack visibility as a whole for the EU and **more attention should be paid to increasing the visibility, reputation and communication** of the wide range of EU-funded energy support in the region.

These different lessons learnt have been shared with partner countries on several occasions (e.g.: the annual INOGATE event in October 2014, the Tbilisi meeting of INOGATE coordinators in April 2015 and the EaP Platform III on 19 June 2015).

3.2 Complementarity, synergy and donor coordination

The EU is the main donor in the region in the field of energy. At country level, donor coordination on energy takes place with the individual partner country in the lead and EU Delegations involved. This coordination needs to be reinforced. The implementing

partners will report regularly to these coordination forums, where they exist⁷, and will ensure it maximises synergies with other ongoing initiatives.

At regional level, a number of programmes are operating and already target some specific issues, thus will not be addressed by the present action:

Local authorities are supported in the field of Sustainable Energy, through Covenant of Mayors (CoM) and Sustainable Urban Demonstration Projects (SUDeP), as well as through the reinforcement of the Eastern Europe Energy Efficiency and Environmental Partnership (E5P). In addition, a number of energy efficiency facilities financed through the NIF and the European financial institutions (EFIs) aim to stimulate the private sector to move towards more energy efficient production systems.

Through blending, the NIF combines also investment grants and technical assistance grants with loans from IFIs to stimulate investment in infrastructure within Eastern Partnership countries. This aims to encourage banks to present projects that are strategic in terms of interconnectivity. Projects of common interest are identified in different frameworks: the trans-European energy infrastructure and networks (TEN-E), the Projects of Common Interest (PCI) and the projects of Energy Community Interest (PECI)⁸.

The Sustainable Energy Programme for Central Asia (CASEP) aims at stimulating energy efficiency and development of renewable energy with the support to policy design and formulation for introduction of energy efficiency (EE) and renewable energy systems (RES) nationally and regionally, professional development of local partners in EE & RES policies and instruments, pilot projects in the fields of EE & RES and awareness raising activities.

The other main international actors in the region, in addition to the EU and its lending Institution (the European Investment Bank – EIB), are:

- The International Financial institutions (World Bank , European Bank for Reconstruction and Development - EBRD, Kreditanstalt für Wiederaufbau - KfW in particular)
- USAid, working at facilitating efficient and reliable supply of energy (principally natural gas and electricity) and reforms aimed at enhancing energy efficiency in the region.
- the Energy Community Secretariat, particularly for the countries that are contracting parties, candidates and observers to the Energy Community Treaty;
- the International Energy Agency;

⁷ Establishment of these coordination fora will be promoted where they do not exist.

⁸ These PECI, which are lists of projects identified by the Energy Community Secretariat, are currently limited to Ukraine and Moldova, for the region covered by this action. The list of PECIs will be revised this year.

- the Energy Charter Secretariat.

To ensure complementarity and synergy with other projects and donors, close dialogue between the EU, the action implementing partners and the partner countries will be maintained through the EaP's Platform III on Energy Security that meets twice per year, bringing together partner countries, EU member states and international institutions. Annual stakeholder meetings for the action will (where possible) be carried out back to back with the EaP's Platform III meetings.

In addition, action implementing partners and the EU (European Commission Headquarters and Delegations) will participate in international or in-country relevant donor coordination meetings (organised by partner country or by EU Delegations) to ensure regular exchanges about the work programme and action related activities and to maximise synergies and avoid duplication with other programmes, including for example, the Eastern Europe Environmental and Energy Efficiency Partnership (E5P).

Regular information flow between the European Commission Headquarters, the EU Delegations and partner countries will be ensured through the communication channels established by the EU Delegations in the region.

In order to ensure consistency and maximise synergies, specific reinforced coordination mechanisms will be set up wherever other EU financed projects foresee some support to partner countries which might be close to the objectives and activities of the different components of this action.

3.3 Cross-cutting issues

Environment & climate change: some key components of the action cover policy areas such as energy efficiency, sustainable energy (including demand reduction) and renewables. By assisting partner countries in strengthening their institutional capacity in relation to sustainable energy and improving business climate for energy efficiency and renewable energy investments, the action supports a sustainable development and contributes to climate change mitigation. In addition, the action will support Eastern partnership countries, on an ad hoc basis, to implement the obligations environmental-related obligations stemming from the Energy community Treaty.

Data: Improving the countries' statistical capabilities, and developing the link between data availability/publication analysis and policy making can have an impact on how policies are made in other sectors in the countries as well. For example, the increased capacity to collect, process and disseminate reliable energy statistics and indicators and better understanding of the development of energy planning tools will lead to develop more coherent energy security strategies and more sustainable energy in the region; the convergence of standards and methodologies for energy statistics, in particular energy balances with European and international ones and, thus, enhanced exchange of comparable data, can boost investment and trade; etc.

Good governance and human rights: one of the aims of the action is to help partner countries in strengthening energy institutional governance, in particular by focussing on institutional capacity as regards the implementation and evaluation of effective and evidence-based policies and action plans. If this action has no negative impact on minority and vulnerable groups, on the other hand, by enabling the developments of evidence-based policy and access for civil society to relevant energy information, it will have a positive effect on governance in partner countries. Activities will contribute to the rights of the citizens to access to clean and affordable energy, environmentally sound energy undertakings and consumer protection from unfair pricing to vital energy commodities.

Gender balance: the action will promote gender balance by ensuring women's access to participation in training activities and will encourage gender equal participation in all programme activities: at least 30% of the seats should be reserved for women; at least 30% of the local experts should be women. Implementing partners will also strive for a gender-balanced recruitment policy, with an objective that at least 30% of their experts and staff contracted by the action are women.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The global objective of the action is to support sound elaboration and implementation of evidence-based medium to long term energy policies in partner countries, based on improved use of statistics and sharing of best practice and EU experience.

The expected results are:

Enhanced **energy data** management capabilities in terms of data production, dissemination and use, to feed into energy policy-making.

Energy policy analysis and recommendations based on EU and regional best practice and exchange of experience.

Improved **energy legislative and regulatory framework and implemented policy recommendations**, in line with Energy Community treaty/Association

Agreements/DCFTAs requirements (for Moldova, Ukraine and Georgia) or EU best practice and acquis (for other Eastern Partnership countries).

Further identification and/or preparation of priority energy infrastructure projects for inclusion in the pipeline of NIF financing projects

Easier **access to energy information** for policy-makers and relevant stakeholders.

Better **communication** of regional cooperation on energy between EU and partner countries

4.2 Main activities

The activities will be structured into 5 components, in line with the expected results.

Result 1: Enhanced **energy data** management capabilities in terms of data collection, standardisation⁹ and use, to feed into energy policy-making

Activity 1.1: On the basis of the results of the INOGATE programme ending in April 2016, assess partner countries' energy data production, dissemination and use, as well as their current ability to use their energy data in energy policy analysis and decision making.

Activity 1.2: Prepare guidelines for elaborating or reviewing/updating at country level an energy statistics strategy, aimed at enhancing standardised energy data production, dissemination and use for domestic and external purposes; and develop/update/refine for each partner country its specific energy statistics strategy in accordance with these guidelines. This strategy should include publication of relevant data on the websites of the national statistical institutes (or other relevant bodies). Provide assistance to the partner countries to help them implement their agreed energy statistics strategy.

Activity 1.3: Move partner countries from annual data submissions to expanded data production

Activity 1.4: Support integration of data into decision making by policy-makers

Activity 1.5: Enhance demand side data collection and use and assist partner countries to develop energy efficiency indicators

Activity 1.6: Feed policy discussions (see result 2) and energy portal (see result 4) with appropriate statistics, and support the development of energy policy documents using relevant data

Expected deliverables for result 1

- Full, reliable and standardised annual energy balances are delivered regularly for at least 9 countries, (compared to 2 countries in 2010 and 8 countries in 2015)
- Monthly oil, gas and electricity standardised IEA questionnaires introduced in at least 5 countries (compared to none in 2015)
- Monthly energy data submitted to IEA for at least 5 countries (compared to none in 2015)
- A set of 5 energy efficiency indicators are developed in at least 5 countries (compared to none in 2015)
- Annual data on energy efficiency indicators are submitted to IEA from at least 5 countries (compared to none in 2015)
- At least two policy documents developed in at least 5 countries, based on data generated by this component (compared to none in 2015)

⁹ Using the standards of the IEA to ensure comparability

- 5 persons per country have been trained on compiling and reporting monthly energy data and energy efficiency indicators data (compared to none in 2015)
- A regional network of about 25 energy statisticians from the partner countries is active and moderated. Participation of the experts of these countries in the Eurostat energy statistics working group will be encouraged.
- Energy data are published on the website of the national statistical institutes or other relevant bodies.

Result 2: Energy policy analysis and recommendations based on EU and regional best practice and exchange of experience.

Activity 2.1: Engage partner countries and their governments in regional discussions on relevant issues related to energy security, sustainable energy developments and energy markets

Activity 2.2: Enable partner countries to identify their biggest challenges and compare them to countries facing the same issues, through regional policy discussions (**policy pathways**) at specific meetings. This could include the generation of alternatives and how to choose between them, including how to present them for public discussion.

Activity 2.3: Help partner countries develop informed plans for the future based on discussed concepts and experiences from other countries

Expected deliverables for result 2

- A set of 11 published energy policy road-maps, one for each country, with outlined policy pathways for the medium- to long-term and high-level policy instruments,
- Main conclusions of the policy pathways meetings
- A compendium publication reviewing energy policies of all 11 countries by the end of 2020 (to measure the progress achieved since publication of the 2015 Compendium)
- Policy analysis and recommendations
- A series of lessons learnt and key country achievements
- Contributions to the Eastern Partnership Platform III on energy

Result 3¹⁰: Improved energy legislative and regulatory framework and implemented policy recommendations, in line with Energy Community Treaty/Association Agreements/DCFTAs requirements (for Moldova, Ukraine and Georgia) or EU best experience and acquis (for other Eastern partnership countries). It is envisaged that the major share of the assistance under this component will be directed to those countries that have DCFTAs and are members/observers to the Energy Community given the scale of their obligations, whilst also encouraging other countries that wish to take on some or all of such obligations. In the countries that are or are becoming contracting parties to the Energy Community, the component will help with the further preparation and development of projects of Energy Community Interest (PECI) resulting from the adoption of the TEN-E regulation¹¹ and its necessary provisions. In addition, a pipeline of strategic projects in energy infrastructure at regional level and beyond the Energy Community would also result from this component, and could be presented for financing by other EU instruments, such as NIF and integrated in national investment plans.

Activity 3.1: Assist partner countries in the preparation and adoption of the relevant primary and secondary legislation in the fields of gas, electricity, renewables and energy efficiency, as well as other legislation related to the Energy Community acquis: energy-related environment, statistics, but also related to oil and competition rules.

Activity 3.2: Help partner countries design and implement the institutional framework required to ensure that the entire policy cycle (preparation, adoption, implementation, enforcement and revision) is addressed. Developing independent energy regulatory authorities will in particular be key.

Activity 3.3: Contribute to the establishment and/or strengthening of the necessary in-country formal and informal consultation procedures to accompany the entire policy cycle.

Activity 3.4: Assist partner countries to implement policy recommendation stemming from the component 2 or from other country policy analyses, such as the ones from the Energy Charter Secretariat or Energy Community Secretariat.

Activity 3.5: Assist partner countries in the further preparation and development of PECI projects as well as in the identification/development of other key energy infrastructure strategic projects, to be then possibly financed by other EU instruments, such as NIF and integrated in national investment plans.

Expected deliverables for Result 3

- 6 individual country work programmes developed and agreed on an annual basis, in consultation with all stakeholders

¹⁰ Central Asia is **not** covered here, only the 6 Eastern Partnership countries

¹¹ Trans-European Networks-Energy: Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure

- Individual assistance modules within the scope of the overall country work programme are prepared, supervised and delivered.
- For contracting parties and candidates to the Energy Community, adoption of important legislation and regulations in the areas covered by the Energy Community Treaty and the Association Agreements.
- Identification of possible weaknesses in the implementation of the key legislative acts and possible ways to improve the effectiveness of this law using best EU and non-EU experience and expertise.
- Operationalisation of the priority policy proposals stemming from the regional policy discussions under component 2.
- Greater technical, institutional and administrative capacity among officials in key energy related ministries and agencies (including energy regulatory agencies).
- More efficient and effective systems and procedures for the preparation, approval and implementation of legislation including cross ministerial/cross agency cooperation and public consultation processes based on EU best practice.
- At least one energy infrastructure priority project per EaP country is ready for inclusion in the NIF pipeline by the third year of project implementation.

Result 4: Easier access to energy information for policy-makers and relevant stakeholders

Activity 4.1: Develop a comprehensive energy interactive web portal

Activity 4.2: Design and implement a communication and visibility strategy for the support programme in line with Commission guidelines

Expected deliverables for Result 4

- A web portal (website) is created and updated at least once a month, including:

Energy policy information for the 11 countries, broken-down in to five areas: general energy policy, energy security, sustainable development, energy markets and investment climate

Up to-date country pages, regularly updated through information provided by local country experts and provide useful links to web portals of key regional energy stakeholders and project developments

Energy data per country (at the level of availability), in addition to data produced on the National Statistics Institutes websites

Interactive clickable maps of energy infrastructure and illustrated energy flows within and between countries, in a user friendly and downloadable format

- A communication and information programme in line with Commission guidelines is developed and implemented.

Result 5: Better communication of regional and bilateral cooperation on energy between EU and partner countries

Activity 5.1: Create and maintain up-to-date a website on regional and bilateral cooperation on energy

Activity 5.2: Develop strategic communication activities on EU support in the field of energy at regional and bilateral level, with a focus on Eastern Partnership countries.

Expected deliverables for Result 5

- A website is functioning, regularly (at least monthly) updated, providing information on the past, ongoing and future programmes and on the activities of the action, as well as past and ongoing activities at bilateral level, in an effective, clear, transparent and pragmatic way that is easily accessible to civil society, private sector, media and interested citizens. The information will cover as far as possible the impacts the different activities have had or are expected to have on the final beneficiaries, including the general public and private sector.
- Communication (events, publications, newsletter) and public relations (PR) activities promoting the action of the EU in the field of energy are developed. This will include the presentation of success stories to be selected – at least one event per EaP country per year.

4.3 Intervention logic

Intervention logic for component 1

This component follows up on the work on energy statistics with 9 out of 11 countries (excluding Uzbekistan and Turkmenistan¹²), implemented so far through INOGATE Technical Secretariat (ITS) project, with support from the IEA and EnCS, through the energy statistics Action Plans. Results and lessons learnt from the implementation of INOGATE project energy statistics action plan will be carefully assessed and specific country needs will be evaluated within this activity.

¹² During the INOGATE programme energy statistics action plans were not able to be negotiated with Turkmenistan and Uzbekistan. The IEA will strive towards increasing communication on statistics with these two countries, however similar problems may arise.

The action will aim to improve standardised energy data production, dissemination and use by assessing the availability and use of energy statistics in all 11 countries, identifying gaps and assisting in data management and collection, preparing energy statistics strategies with at least the 9 countries with currently signed action plans but also potentially Uzbekistan and Turkmenistan. The action will encourage standardised monthly data reporting, developing standardised energy balances and collecting data for the purposes of developing standardised energy efficiency indicators, where possible. For countries that are members of the Energy Community, the relevant acquis on energy statistics will have to be taken into account.

Improved data obtained through this component is intended to be part of the discussions in energy policy development forums (component 2 below). In order to move towards evidence-based decision making, the countries are intended to be given tools to use energy data available to them at the time of the forum/workshop to improve their policy making. The action is envisaged to encourage countries to utilise these tools in their energy policy making processes. Recommendations for elaboration of any missing legislation or regulations on energy statistics will be made, and should be adopted during the period of the action to remove barriers to collection.

Technical support is intended to be provided by the IEA (short-term technical missions in country), based on the assessed need for support as indicated in the energy statistics strategy for each country. For Ukraine, coordination will be ensured with the ongoing support of the Danish Energy Centre. The IEA and individual countries are envisaged to also present findings on energy data quality improvement to the energy policy forums (where applicable) as well as present tools for energy data use for evidence-based decision making. Assistance from local country experts is expected in communication with the national statistics institutes, logistical support and providing country-specific expertise in the energy sector.

IEA will work with focal points appointed by national statistics institutes and will maintain regular communications for implementing the programmes under the Result 1 of the action. Focal points will be convened twice a year. First meeting, preferably within the first part of the year will be conducted via webinar, with the aim of recapping the work of the preceding year and outlining the annual statistics programme/plan. The second (the Annual) meeting, to take place in the region or in Brussels, preferably in the second part of the year, would (where possible) be combined with training and capacity building activities (desirably with other statistics institutes, such as Eurostat). Participation of the experts of these countries in the Eurostat energy statistics working group will be encouraged, provided their level of English is adequate.

Data use for decision making work-flow, which is interconnected with Component 2, is intended to be determined in the annual steering committee between the Commission and the IEA, with other organisations as observers (and particularly the EnCS) if relevant.

Progress in evidence-based policy making will be monitored, and reported to the steering committee (and country steering committees).

Intervention logic for component 2

To move towards energy policy analysis and recommendations, the action will shape regional policy discussions ('**policy pathways**') on different policy areas related to energy security, sustainable energy and energy markets. These policy discussions take place at a regional level, and also feed, when relevant, the Eastern Partnership Platform III on energy security. Government institutions participating in the policy pathways forums will vary according to the discussion subject. Nevertheless, government participation is essential to shape policy discussions and to take a lead for future implementation of the recommendations and policies. The policy pathways discussions, in particular those deliberating on matters related to energy security and sustainable development, will also be attended by the national focal points on statistics for strengthening the capacity for evidence-based policy deliberations. The discussions under the policy pathways are envisaged to be stage-managed, with tailor made uniform presentations, background material and discussion topics, with possibility of considering presentations from EU member countries on best practice examples. However, focus will remain on defining and helping to solve partner country challenges.

Assistance from local country experts is expected in communication with the government, organising the participants in meetings and assisting with the logistics of the action in their respective countries.

Under this component, policy forums are intended to be set up where countries with similar developmental stages, aspirations and capabilities are intended to be grouped into the same forums. These countries are intended to then exchange experience (some of which will be regarding EU legislation harmonisation, for example), share best practices and work towards developing various policy recommendations relevant for each country or each group of countries. The goal of this component is to engage partner countries and their governments in regional discussions on relevant issues to enable them to identify their biggest challenges and compare them to countries facing the same issues; and to help them develop informed plans for the future based on discussed concepts and experiences from other countries.

Such policy groupings are intended to be set up to cover the following three areas:

- **Energy security** (addressing pressing energy security concerns and related measures; energy supply emergency response mechanisms; energy storage/stockpiling; fuel switching; demand restraint programmes; national and regional dimensions of energy security and matters related to energy supply/demand and transit undertakings).
- **Sustainable energy** (energy efficiency policies and measures; renewable energy developments; best practices supporting grid integration of variable renewables; identifying impediments to energy efficiency and renewable energy technology deployment; promotion of technology research, developments and deployment (RD&D));

- **Energy markets** (energy markets set up; energy pricing and regulatory framework; green tariffs; energy subsidies; removal of subsidies and targeted social policies; market integration; market opening, grid development and balancing);

These 3 areas should not be seen as silos as they are strongly interconnected: an increased use of sustainable energy will contribute to greater energy security while triggering a revision of the market and grid mechanisms.

It is proposed that each group has two to three meetings each year, organised in the region and/or in Brussels/Paris/Vienna, and facilitated by the organisation in charge of this component. In some cases, where possible and relevant, meetings may be organised back to back with relevant international forums in order to benefit from their experience and network and to feed also into them the results of the policy pathways. For example, it is envisaged that the annual meetings on sustainable energy could be arranged back to back with the Energy Charter's Working Group on Energy Efficiency and Related Environmental Aspects; Energy Markets with the Energy Charter's Standing Group on Trade and Transit, while the annual meeting on energy security could coincide with the Energy Charter Annual Conference, should the Presidency country be one of the beneficiary or an EU country.

These discussions can then be used for discussions under EaP platforms, if relevant. Exact topics of discussions under these are envisaged to be designed and developed in close coordination with the partner governments, according to their needs, developmental stage and aspirations, and agreed at the annual steering committee. Links with component 1 (producing, disseminating and using energy statistics) and component 3 (to respond to specific country needs in the Eastern Partnership region) will be discussed and agreed at the steering committee.

This component is envisaged to produce several deliverables:

- Roadmaps are envisaged to be developed as a foldout visual demonstration for energy policy/sector developments under various scenarios and would be supported by 10-15 page high level policy documents, preferably with the guidance and spelled out steps for government adoption/implementation. EU Delegations and Commission Headquarters will be associated to the development of these roadmaps.

- Meeting conclusions for all policy pathways discussions, kept as a concise, 10-15 page documents, with clear indication of a meeting outcomes, possible further steps and aim/goal to be achieved at the completion of series of subject discussions. Discussions are proposed to be subject specific, within the three areas of policy pathways directions (i.e. energy security, markets and sustainable development) and should have very clear and specific aim, elaborated in the overall action's annual work plans. Where relevant, it should contain best practice examples and suggestions to the respective governments on potential models.

- Series of lessons learnt and key country achievements, to be used for policy makers.

- The 2020 Eastern Europe, Caucasus and Central Asia (EECCA) Energy Policy Reviews publication, which is envisaged to be carried out as a peer review process (similar to the process during the EECCA 2015 publication) and published in 2020.

These policy discussions and deliverables would also feed the Eastern Partnership summits and Ministerial meetings.

Deliverables will be produced as action deliverables, with appropriate visibility of the EU support. The 2020 EECCA Energy Policy Reviews publication will be published as part of the IEA publications: IEA and EU will agree on the appropriate format to ensure the visibility of the EU support and action work.

Intervention logic for component 3

The intervention logic for this component is different for Georgia, Moldova and Ukraine on one side and for Belarus, Armenia and Azerbaijan on the other side.

For Georgia, Moldova and Ukraine, the objective is to help partner countries in the adoption and (importantly) the implementation of priority legislation and regulation in the areas covered by the Energy Community Treaty, thus contributing to both the socio-economic development of the partner countries and to achieving the goals of the EU's Energy Union regarding energy security, diversity of supply, more transparency (level playing field) and greater competitiveness; The Association Agenda roadmap will be used to determine the priorities with partner countries. It covers a very broad range of the "Energy Community acquis" and related secondary legislation, including the EU's "3rd energy package", energy efficiency, renewable energy legislation, energy-related environmental legislation, but also in the area of oil, statistic and competition rules. Assistance to adopt and implement upcoming Energy Community acquis might also be needed. The **Energy Community Secretariat** will have the main responsibility for programming and managing the delivery of expertise.

As some technical assistance projects will take place in the three countries with bilateral funding, it is important that the country work plans (including their updates) are constructed and agreed with the relevant EU Delegations (as they are in charge of managing this bilateral assistance) and that implementation is carried out with a deep and regular information-sharing and strategic exchange of views with the EU Delegations

For Armenia, Azerbaijan and Belarus, the objective is to help partner countries to implement policy recommendations stemming from country analyses (either from the component 2, or from other international reports, such as the ones coming from IEA, from the Energy Charter Secretariat or the Energy Community Secretariat). Main areas of focus for these countries should cover energy efficiency, trade and transit, as well as functioning of the internal markets and rules for attracting investment. Renewable energy may also be covered. The advisory services will be entrusted by the Energy Community Secretariat to the **Energy Charter Secretariat**, while the Energy Community Secretariat ensures consistency and retains a quality control function over the implementation of the action in all countries involved in component 3.

For the 6 Eastern Partnership countries, specific activities to be conducted will be elaborated in close consultation with each beneficiary country, and will lead to a country work plan, discussed and agreed at the annual steering committee. In case of emerging needs, the steering committee members may decide about additional actions between the annual meetings. These country work plans will be prepared and proposed by the implementing partners, and will suggest the type of expertise needed, the expected results, the input required (human and financial resources), the methodology, a risk analysis as well as how to monitor the activity and the desired impact. Once approved by the steering committee, the contracting authority will be regularly (every two months) kept informed about the development of the country work plans, including of possible changes and impediments for the implementation of the work plans. Implementing

partners will agree with the contracting authority on any adjustments needed to implement smoothly the work plans.

Wherever relevant, specific activities of interest **for the 6 Eastern partnership countries** (that do not duplicate activities undertaken under component 2) may be organised by one of the implementing partners.

This component will aim at improving awareness among government officials, parliamentarians, civil society (including the business community) and other relevant local stakeholders of the key issues arising in the energy sector, the main policy options and the impact of legislation and regulations. These set of activities should globally lead to:

- an enhanced capacity to progress beyond the adoption of primary legislation to the development, implementation and revision, as necessary, of secondary legislation, regulations and institutional processes
- an improved economic and investment climate as the better legislative framework provides businesses and investors with a more transparent, stable and reliable environment within which to operate;
- the implementation of PECEI in the framework of the Energy Community and a strategic vision shared at regional level of the key strategic investments to be made in energy infrastructure, linked with national investment plans, and possibly to be supported by EU funding sources (mainly through the Neighbourhood Investment Facility) and/or loans from EFIs.
- at least one priority energy infrastructure project per EaP country will be presented for inclusion in the NIF pipeline after year 3 of project implementation.

Results from these components and lessons learnt will feed on a regular basis into the component 2, and possibly component 1.

Central Asia is **not** covered under this component 3. A specific regional programme on energy might be defined as part of the Central Asia regional strategy.

Intervention logic for component 4

The component is intended to be implemented by the IEA. The interactive web portal is envisaged to be available on the IEA website, with free access to the public. Language of the web portal will be the language of the IEA website. The web portal is intended to be the go-to web page for the 11 countries and to hold the most comprehensive information per country available. The portal is also intended to become a tool for countries to use in sector development and evidence-based policy making. The country pages will be regularly updated through information provided by local country experts and are envisaged to provide useful links to web portals of key regional energy stakeholders and action developments. The web pages are envisaged to be updated on a consistent basis

during the action. Commission visibility requirements will be included in the portal. All components will feed into the web portal.

The communication and information programme will be agreed in the annual steering committee between the IEA, the Commission and the partner countries, with other organisations as observers if relevant. It will aim to assure external visibility, branding and promotion of the action, with a view to showcasing the benefits of EU support, in line with EC guidelines. Access and publication of data will be subject to confidentiality rules regarding commercial data protection and sensitive information.

Intervention logic for component 5

A specific contract will be created to help EU and partner countries in increasing the visibility of their actions, through specific communication and PR activities. A website will be created, with information retrieved from INOGATE and other sources as well as information coming from the action (and all its components) and the webportal where relevant. It will also include other information coming from EU-financed projects in the region at bilateral and regional level in the field of energy. The website will be in English. Translation into local languages might be considered. Lessons learnt from the ManagEnergy website will be used when designing more specifically this component.

The specific communication and PR activities under this component will be agreed directly by the contracting authority and the implementing partner, showcasing the benefits of EU support, in line with Commission guidelines and the Eastern Partnership Visibility Strategy. It is important that this communication is of strategic nature and ensures adequate EU visibility, in particular countries having signed an association agreement, including a DCFTA. The implementing partner will participate in the annual steering committee, and will ask information to component leaders, who will regularly contribute.

Language for all components

Language of the action will be English. Where appropriate and relevant, translation and/or interpretation in national language or Russian (as lingua franca in the region) will be foreseen.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this Action, it is not foreseen to conclude a financing agreement with the partner countries.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and

agreements implemented, is 60 months from the date of the adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 *Grant: direct award for the implementation of results 1, 2 and 4 (direct management)*

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The grant implementation modality will be used for implementing results 1, 2 and 4 as described in sections 4.1, 4.2 and 4.3 above.

(b) Justification of a direct grant

Article 190(1) (f) of Commission Delegated Regulation (EU) No 1268/2012 authorises that grants be awarded without a call for proposals for actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation, on condition that the actions concerned do not fall within the scope of a call for proposals. On this basis and under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to an international organisation having relevant specific experience and capacities in the fields of intervention. For the reasons detailed below, the **International Energy Agency (IEA)** has been identified as the most suitable entity.

The peer review of the energy policy of INOGATE countries and the INOGATE work on statistics have been one of the most successful activities under the last ITS project (currently extended), appreciated both in-house and by partner countries. Due to its longstanding expertise, the IEA played an important role in both activities, and notably in steering the peer-review process. Its involvement has also facilitated the active participation of nearly all INOGATE countries and represents at this stage a competitive advantage to other potential project leaders. Finally, the IEA possesses the necessary expertise, both in the field of energy statistics and in a broad range of energy policy aspects, to lead the proposed components of the action. Provided that the necessary visibility and involvement of the European Commission is ensured in the contract, the IEA is the most suitable organisation to lead the proposed components of the action.

(c) Eligibility conditions

Not applicable.

(d) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the Action; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 95%.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to conclude the grant agreement

1st trimester of 2016.

5.3.2 Grant: direct award for the implementation of result 3 (direct management)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The grant implementation modality will be used for implementing result 3 as described in sections 4.1, 4.2 and 4.3 above.

(b) Justification of a direct grant

Article 190(1) (f) of Commission Delegated Regulation (EU) No 1268/2012 authorises that grants be awarded without a call for proposals for actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation, on condition that the actions concerned do not fall within the scope of a call for proposals. On this basis and under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to an international body having relevant specific experience and capacities in the fields of intervention. For the reasons detailed below, the **Energy Community secretariat (EnCS)**, working in partnership with the **Energy Charter Secretariat (ECS)** have been identified as the most suitable entities to co-manage this component of the action.

The **Energy Community Secretariat (EnCS)** has a specific mandate to support Contracting Parties and Candidates to the Energy Community Treaty (EnCT) (namely Georgia as candidate, Moldova and Ukraine as contracting parties) and plays a role of neutral broker between the various EnCT stakeholders. The Secretariat acquired experience and technical expertise in supporting Contracting Parties in the preparation of national legislation and providing technical assistance in its implementation, particularly in the Western Balkans. In addition, the EnCS developed familiarity with EU financial blending facilities and technical assistance programmes, notably the INOGATE programme. Under the last ITS project (currently extended) the EnCS has successfully supported the INOGATE countries that are either members or candidates/observers to the

Energy Community Treaty in the adoption and implementation of the Energy Community acquis in different policy areas (gas, electricity, renewables and energy efficiency , statistics, standards, etc.).

The **Energy Charter Secretariat (ECS)** has a mandate to support Contracting Parties and observer countries to the Energy Charter Treaty (ECT) (including Armenia, Azerbaijan and Belarus), and provides analytical support and advice on all aspects of the Energy Charter process. The ECS helps the countries to implement policy recommendations stemming from country analyses, with a focus on energy efficiency and renewable energy systems, trade and transit, and the functioning of the internal markets and rules for attracting investment. The Energy Charter Secretariat acquired also experience in providing assistance to specific projects, in particular, DACO (i.e. the Covenant of Mayors going East) which aims to support several local authorities in Eastern Europe and Central Asia to acquire a common methodology to correctly monitor, evaluate and reduce their energy consumption and CO2 emissions.

(c) Eligibility conditions

Not applicable.

(d) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the Action; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 95 %.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to conclude the grant agreement

1st trimester of 2016.

5.3.3 Procurement (direct management)

Subject in generic terms, if possible	Type services)	Indicative	Indicative
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		number of contracts	trimester of launch of the procedure
Component 5 - Communication	services	1	1 st trimester 2016

5.4 Alternative implementation modalities for results 1, 2 and 4

IEA has confirmed its interest to implement the activities covering results 1, 2 and 4. After several months of joint preparation work, the action idea was indeed subject to a discussion at the IEA Governing Board on 21 June 2015 and received preliminary positive feedback. However, after the present Action Document has been adopted by the Commission, IEA Governing Board will have to decide formally on the proposed grant contract and there is still a risk that contracting is not approved by IEA Governing Board. This is linked to the fact that, under the conditions that have been agreed between the Commission and the OECD in the last Framework Administrative Agreement (which also applies to IEA), in particular the capping of indirect costs, the share of the EU contribution allocable to the operational and overheads costs of the IEA is lower than what is required under IEA rules. Accepting the grant under these conditions is therefore subject to derogation by IEA Governing Board.

Should the IEA Governing Board not accept the EU contribution,, the following implementation approach will be followed.

Results 1, 2 and 4: procurement (direct management)

The purpose of results 1, 2 and 4 is described in sections 4.1, 4.2 and 4.3 above. This component of the action may be alternatively implemented through procurement (service contract with a Contractor having adequate qualifications and experience in the field of energy).

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Results 1, 2 and 4	Services	1 or 2	2 nd trimester of 2016

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

In accordance with Article 16 of Regulation (EU) No 232/2014 and with regard to the aim of fostering regional and trans-regional cooperation, the Commission decides that natural and legal persons from the following countries, territories or regions shall be eligible for participating in procurement and grant award procedures: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Turkey. The supplies originating there shall also be eligible.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
5.3.1. – Components 1, 2, 4 Direct grant with IEA (direct management)	12 100 000	650 000
5.3.2. – Component 3 Direct grant with EnCs (in partnership with Energy charter secretariat) (direct management)	6 500 000	350 000
5.3.3. – Component 5 Procurement (direct management)	700 000	-
Contingencies	700 000	-
Totals	20 000 000	1 000 000

5.7 Organisational set-up and responsibilities

The responsibility of the action lies with Commission services. Implementation of Result 1, 2 and 4 will be led by the IEA whereas implementation of Result 3 by the EnCS in partnership with the ECS. Result 5 will be implemented by a service company.

Governance

The action will be governed by a multi-layer governance structure.

Steering meetings will be organised to take stock of past activities, results and discuss new activities framed under the annual work programme of each component. They constitute the steering committees of the different contracts. Partner countries, European Commission (DG Neighbourhood and Enlargement Negotiations, DG Energy, DG International Cooperation and Development, Eurostat) and European External Action Service, and implementing partners (IEA, Energy Community Secretariat, Energy Charter Secretariat, component 5 service provider) will agree by consensus on the priority actions to be undertaken and will provide an opinion on the achievements and on the progress of the action. They may suggest modifications to the action. They will also consider the mid-term and final evaluation of the action. Secretariat and organisation of these annual meetings will be provided by IEA, with support from the EnCS. DG Neighbourhood and Enlargement Negotiations will chair these meetings. EU Delegations to partner countries will be invited to take part to these annual meetings, to take place in Brussels, Paris, Vienna or in a partner country. These meetings should take place twice a year. Additional meetings can also be called for if justified.

The Steering Committee shall:

- Provide an opinion on the annual work programme of the action;
- Discuss action objectives, related activities and expected results and the most beneficial ways for implementing the action;
- Discuss progress with the delivery of the action's substantive products and its impact;
- Discuss issues that impede action implementation and suggest how they might be alleviated;
- Discuss policy recommendations provided to partner countries;
- Share information on the other cross-cutting Commission funded programmes in the region as well as information on partner countries' efforts to reform their policies in line with policy recommendation provided within the action; and
- Discuss how donor and stakeholder coordination more generally be best achieved.

The annual work programmes are formally presented by the implementing partners and formally approved by the Commission, taking into account the discussion taking place at the steering meeting.

During the first year of the action, a meeting at **ministerial level** will be organised to launch the initiative and ensure appropriate support to the activities. At the end of the action, another ministerial level meeting will be organised to evaluate and close the

action. These meetings will be organised by the European Commission and the EEAS in cooperation with EaP and other beneficiary countries, with support of the implementing partners, preferably back to back with another relevant meeting involving ministers. Appropriate visibility will be ensured.

The annual meetings will be attended by vice-ministers in charge of energy or heads of departments, to ensure appropriate ownership, buy-in and follow up of the actions.

More regular meetings can take place between action implementing partners, the Commission and partner countries at expert level, on a case by case basis. In the Eastern Partnership countries, specific meetings ('country steering committees') will be held at regular intervals between the EU Delegation, other Commission services concerned and action implementing partners in order to coordinate activities under component 3 (and possibly component 1 and 2) and to ensure coherence with related activities undertaken as part of EU or Member States bilateral programmes. Partner countries can participate in these meetings which take place at expert or senior level.

Agreements and contracts will be managed between DG Neighbourhood and Enlargement Negotiations and respectively IEA, EnCS, and a service provider to be selected, as mentioned in section 5.3

EU Commission and implementing partners shall meet annually by means of formal meetings and convey intermediary meetings and conference calls if needed according to the established budget of the action.

Contribution from beneficiary countries:

It is expected that each partner country will mobilise the adequate human resources for the activities of this action and will provide adequate office within the ministry/agency for the local experts of the different components.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partners' responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final reports, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional action monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a mid-term and final evaluation will be carried out for this action or its components via independent consultants.

Mid-term evaluation of the action will be carried out for problem solving, learning purposes, in particular with respect to complementarity and coordination of the different contracts, complementarity with bilateral assistance, visibility, progress in implementation and uptake by partner countries of the policy recommendations/ways forward.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision and design of future cooperation activities if relevant), taking into account in particular the regional dimension of the action.

The Commission shall inform the implementing partners at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the action premises and activities.

The evaluation reports shall be shared with the partner countries and other key stakeholders. The implementing partners and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner countries, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the action.

The financing of the evaluations shall be covered by another measure constituting a financing decision.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

Communication and visibility will be given high importance during the implementation of the action. The implementation of the communication activities shall be the responsibility of the implementing partners and beneficiary countries, and shall be funded from the amounts allocated to the action.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional visibility guidelines developed by the Commission (DG Neighbourhood and Enlargement Negotiations) and the Eastern Partnership Visibility Strategy will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

It is the responsibility of the implementing partners to keep the relevant EU Delegations and the Commission fully informed of the planning and implementation of the specific visibility and communication activities.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

Each implementing partner will produce within the first 4 months of the action, a visibility and communication plan, to be agreed with the Commission.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner countries, contractors and/or grant beneficiaries. Appropriate contractual obligations shall be included in procurement and grant contracts.

A service contract will also be awarded to support communication and visibility of the whole of the EU regional support to partner countries in the field of energy, with the budget indicated in section 5.6.