



PARLIAMENTARY ASSEMBLY OF THE BLACK SEA ECONOMIC COOPERATION
PABSEC

Doc. GA63/EC62/REP/24

SIXTY-THIRD PLENARY SESSION OF THE PABSEC GENERAL ASSEMBLY

COMMITTEE ON ECONOMIC AND DEVELOPMENT POLICY

REPORT*

“Cooperation among the BSEC Member States in Energy Trading”

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** The text was considered at the Sixty Second Meeting of the Committee on Economic and Development Policy, held in Zonguldak, Filyos in the Republic of Türkiye, on 28 April 2024 and adopted at the Sixty-Third General Assembly, on 15 May 2024, in Tirana, the Republic of Albania.*

I INTRODUCTION

1. Energy today is one of the most significant strategic sectors of the economy. The energy market is one of the most promising and in demand in the world. The most popular energy carriers in commodity markets up to date are oil, natural gas and electricity, although in the last few decades global efforts have been directed towards transitioning to a green economy and ensuring sustainable management of energy resources for shared prosperity. In this context, the integration of renewable energy sources, such as wind and solar energy, into the overall energy grid as a key component of the concept of sustainable development becomes most topical.

2. Throughout its history, the Black Sea region has been the area of interest of various states due to its transit location: transport corridors and major energy routes from Central Asia and the Caspian Region pass through it connecting the West and the East, the North and the South. The region is rich itself in energy resources and moreover is closely adjacent to significant oil and natural gas reserves that open broad prospects for transit energy trade. All these create conditions for the implementation of multilateral regional and global energy projects and increase the geostrategic significance of the region in energy trading.

3. Considering the topicality of the energy trading issue in the context of enhancing economic stability and sustainable development, the PABSEC Committee on Economic and Development Policy took the decision to discuss “Cooperation among the BSEC Member States in Energy Trading” as the main topic of its 62nd Meeting in Zonguldak, Filyos, the Republic of Türkiye, on 28 April 2024.

4. The Parliamentary Assembly of the Black Sea Economic Cooperation has always been attributing a substantial attention to the energy and trade issues and in previous years adopted the respective documents: Report and Recommendation 191 /2023 “The Role of Parliaments in Enhancing Energy Security in the BSEC Member States”, Report and Recommendation 155/2017 “Development of New and Renewable Sources of Energy in the BSEC Member States”, Report and Recommendation 98/2007 “The priorities of Cooperation between the BSEC Member States in the field of Energy: Oil and Gas Spheres”, Report and Recommendation 91/2006 “Alternative Energy Resources and their Possible Application in the Black Sea region”, Report and Recommendation 68/2003 “Cooperation in the Field of Energy”, Report and Recommendation 37/1999 “Trade Development in the Black Sea Region”, Report and Recommendation 23/1997 “Harmonization of Foreign Trade Regimes of the BSEC Participating States”, Report and Recommendation 16/1996 “Development of Cooperation in the field of Trade and Business among the BSEC Member Countries”.

5. The present Report uses the information received from the national delegations of the Republic of Albania, the Republic of Armenia, the Republic of Azerbaijan, the Republic of Bulgaria, the Hellenic Republic, the Republic of Moldova, the Republic of North Macedonia, Romania, the Republic of Serbia, the Republic of Türkiye and Ukraine. Reference material was also obtained from the official websites of the United Nations (UN), the United Nations Conference on Trade and Development (UNCTAD), the International Energy Agency (IEA), the International Renewable Energy Agency (IRENA), the World Bank, the European Union (EU), and other relevant international organizations.

II GLOBAL ENERGY TRADE TRENDS AND EXPERIENCE

6. Energy trading issues have become increasingly important in the global community and promote sustainable and cost-effective energy ecosystem. Energy trading is the process of acquiring different types of renewable and non-renewable energy sources through trading operations, enabling the exchange of energy supplies between producers and consumers, stimulating competition, and increasing efficiency in the energy sector. It should be noted that

trade in crude oil and petroleum products is of particular importance since the demand for these energy products is constantly and steadily growing due to the increase in demand in various fields of human activity. International energy trading is a means to ensure energy security, stability and economic growth of countries allowing them to balance energy demand and supply and meet diverse energy requirements.

7. The specificity of international energy trade is in its close relation between commercial and political aspects. Energy trade and its prospects occupy a crucial place in the system of both bilateral and international political relations. Energy markets represent an organizational and economic mechanism that ensures energy resources circulation. Stability of energy trade is a critical aspect of national economic security.

8. Trading in the energy market is based on the simple principle of setting prices depending on supply and demand for energy resources. Buyers and sellers transact through various platforms in an effort to get the best deal. Such transactions may be bilateral or take place on organized energy exchanges where buyers and sellers interact in a structured process. Trading platforms play a significant role in this process, providing a platform for selling excess energy and stimulating the development of renewable energy sources. Modern platforms for energy trading are a digital market that helps simplify the process of trading energy resources among producers, consumers and other participants in the process.

9. Energy trading brings together a variety of participants: producers, suppliers, energy companies, energy sites, and consumers. International trade is necessary for countries to meet the demand for different types of resources that are not available within the country. Trade in energy resources today is one of the most promising investment activities for many participants in trading in various commodity markets in the world, since energy resources are of great value within the economic system of both specific states and the whole world. According to the expert predictions, if present policy trends remain energy consumption will increase approximately 50 percent in 2020-2050.

10. Current prospects for the formation of international energy markets are determined mainly by the growth of energy consumption. In these conditions, each country forms its own energy policy, relying on its own energy potential and refracting, in accordance with national interests, the situation on international energy markets.

11. One of the key issues in the field of trade in energy resources is the issue of ensuring their safe supply. Resolving this issue affects the interests of both resource importing and exporting countries, since the transportation of energy resources has a direct impact on key aspects, such as environmental protection and sustainable development.

12. Within the framework of trade in energy resources, international legal regulation is of particular importance based on the regulatory framework governing relations between subjects of international law, including legal acts and principles for functioning of international energy organizations. Features of the legal regulation of international trade in energy resources are determined by the specific properties of these resources as a product that is in high demand and involved in almost all spheres of human activity. In addition, the adoption of the necessary legal acts ensures precise regulation of the rules of conduct affecting supplies, production, and resources delivery to final consumers, transportation, distribution and storage of resources for participants in the energy market. Therefore, every state that exports or imports energy resources is interested in developing an optimal mechanism for their supply and transportation to ensure the possibility of successful implementation of these resources for social and economic purposes, both at national and global levels.

13. An important task of legal regulation of the functioning of global energy markets is to ensure security in this area. To achieve this goal, the world community needs maintain a

comprehensive system of collective security, the foundations of which are reflected in the Charter of the United Nations. Ensuring international security is based not only on strict adherence to the general principles and norms of international law, but also on respect and compliance with sectoral principles of international security law, which also apply to the energy sector.

14. Because of the uneven distribution of energy resources across the planet, extracted energy resources are redistributed through international trade, which is often the subject of complex economic and political interstate relations. Different countries have diverse energy resources and through their trading complement each other and improve their energy balances. Trade in energy allows to better utilize the surplus some countries have to fulfil energy needs of the others.

15. The BSEC Member States, like many other countries in the world, set the task of consistent diversification of the energy sources used in order to strengthen their energy and environmental security. Therefore, the share of renewable energy sources in the energy balance is increasing, and models for the transition to a “green” economy and a “circular economy” are being developed. Work is also underway on low-carbon energy and fulfilment of climate change commitments. The tendency for states to strive to ensure their own energy security stems from their intention to create a solid economic basis for stable development, protect citizens and society from a sharp shortage of energy resources, implement nationally beneficial cooperation strategies, improve energy security and reduce dependence on imported and often expensive energy resources.

16. The global energy market suffered a sharp and widespread shock in 2020 as coronavirus infections began to spread and triggered the largest recession in decades. Interruptions in the supply of goods and services, breaks in global chains, a sharp decline in demand and production, and increased instability in exchange rates introduced unpredictability in the development of the energy market, significantly changing the structure of international energy trade.

17. It is noteworthy to mention that different segments of the energy industry have been impacted by the pandemic to varying degrees. Global energy demand is estimated by global experts to have fallen 4.5 percent in 2020, the worst contraction since World War II. At the same time, oil accounted for almost three quarters of the reduction in energy consumption in this period - about 9.1 million barrels per day, or 9.3 percent, i.e. to its lowest level since 2011. Global oil production fell by 6.6 million barrels per day. The gas industry was also hit, with natural gas prices and liquefied natural gas (LNG) reached historical lows, consumption decreased by 2.3 percent. However, the share of gas in primary energy continued to rise, reaching a record level of 24.7 percent. Interregional gas trade decreased by 5.3 percent, which is explained by a drop in pipeline trade by 54 billion cubic meters (10.9 percent). Global exports of oil and petroleum products in value terms over the past 5 years reached their peak values in 2018 and amounted to almost 939 billion USD. In 2020, the volume of global oil exports decreased by approximately 35 percent compared to 2019. World imports of oil and petroleum products in value terms in 2020 decreased to the same extent as exports: in 2019 they were approximately 1.06 trillion USD, and in 2020 – 685 billion USD.

18. The conflict between the Russian Federation and Ukraine and its consequences impacted the global energy landscape forcing many countries to reexamine their energy policies. The Russian Federation is among the world's main exporters of fossil fuels, but European sanctions on oil and coal imports from Russia, as well as natural gas supplies reductions to Europe had repercussions on previously established energy trade arrangements, global energy trade flows and the established supply and demand patterns. In 2022, with the outbreak of war in Ukraine,

there was a subsequent shock to global energy markets and energy prices began to skyrocket, leading to widening energy shortages, exacerbating concerns about energy security and further slowing the progress of access to affordable, reliable, sustainable and modern energy sources for all. According to the UNCTAD Handbook of Statistics 2023, the global inflation in 2022 was the highest in 21st century with fuel prices rising by 64 percent. The International Energy Agency estimates that governments worldwide spent 900 billion USD for emergency support to protect consumers from volatile fuel prices in 2022.

19. In recent years, renewable energy maintained a high rate of development. Countries aim to stimulate clean energy investment to diversify energy mix and cut down harmful emissions. Investment in clean energy has risen by 40 percent since 2020. Due to the introduction of new approaches and the use of modern technical solutions, as well as ongoing research, investment and continued support from states, there is a decrease in the cost of construction and operation of renewable energy facilities. Over the past years, in the European Union, electricity generated using solar panels has fallen in price by 73 percent, and offshore wind power plants by 23 percent. In the structure of global energy consumption, the share of this segment increased by 0.5 percentage points from 3.2 percent to 3.7 percent.

20. The current global economy is characterized by an increase in demand for electricity due to improved technology and digitalization of the economy. The efficiency of transformations, transportation, distribution of energy resources and, accordingly, safety and comfort in their use increases. In the world, 2/3 of electricity is generated using coal (38 percent) and gas (23 percent). Oil and petroleum products generate only 3.5 percent of electricity. Electricity comes directly from large hydroelectric power plants (16 percent), nuclear power plants (more than 10 percent) and renewable energy sources (8 percent).

21. Energy exports contribute significantly to state income and gross domestic product of energy-exporting states. In addition, meeting the domestic demand by energy trade can also have positive environmental implications. By focusing on trade in clean energy and renewable sources, countries can accelerate energy transition and substitute reliance on traditional fossil fuels.

22. According to the latest annual UNCTAD Trade and Development Report, international prices of oil and gas came back to late 2021 levels. Due to change of direction of energy trade flows and the reshuffling of export-import markets, particularly of key commodity exports from the Russia and Ukraine there was a sharp drop in prices of crude oil (by 33 percent) and natural gas (by 67 percent). The European countries have reoriented their natural gas imports to purchase liquefied natural gas (LNG), especially from the United States.

23. The World Bank Group Global Economic Prospects Report of January 2024 predicts that global economic growth will continue to slow for the third year in a row in 2024, falling to 2.4 percent, down from 2.6 percent in 2023. In advanced economies, growth is projected to slow slightly from 1.6 percent in 2023 to 1.5 percent in 2024, before picking up to 1.8 percent in 2025. The escalation of the Palestinian-Israeli conflict has heightened tensions in the region, which accounts for about 35 percent of global oil exports and 14 percent of gas exports. Also, tensions in the Red Sea, through which 11 percent of global trade flows, and the ongoing war in Ukraine threaten by further adverse supply shocks to the global economic recovery, sharp increase in cost of food and energy commodities and transport services. Fuel commodity prices are projected to decline in 2024 and 2025. Nonetheless, despite drops of the prices of crude oil and natural gas from 2022 peaks, commodity prices remain at high levels and above the average than pre-pandemic prices.

24. A global transformation of the energy system towards clean energy is at the forefront of addressing climate change and meet the Paris Agreement objectives. As of 2021, the worldwide

trade of clean energy products reached a record level of approximately 370 billion USD. The International Renewable Energy Agency forecasts that trade in renewable energy-related goods and technologies, as well as trade in renewable energy fuels will continue to grow in the forthcoming period.

III ENERGY TRADING IN THE BSEC MEMBER STATES

25. The Wider Black Sea region has positioned itself as an important actor in the global energy market. The Region is rich in hydrocarbon resources and wealthy in renewable energy sources such as biomass, wind, and solar power. Endowed with mountains, rivers, plains and sunshine, the Wider Black Sea region has huge potential for developing green energy. Located at the crossroads of the main flows of oil and gas to world energy markets, the region is important in terms of production, transportation and energy distribution. The BSEC Member States differ regarding their energy potential, availability of energy resources, diversity of energy supply patterns and level of development of domestic energy markets and infrastructure. Despite the different natural, geographical and political circumstances, the BSEC Member States attach great attention to energy trade development throughout the region.

26. Energy trading in the BSEC region has two intertwined aspects. For energy importers of the region, security of supply is an essential aspect implying a reliable, energy supply, at reasonable price. For energy exporters, the security of demand is vital, suggesting steady and continuous energy demand and market predictability through expansion of long-term trade agreements. According to the Black Sea Trade and Development Bank data, in 2022 intra-BSEC trade volume has increased to approximately 375 billion USD and substantial portion of the overall trade in the region is energy trading.

27. Measures for the improvement of cooperation in the field of energy trade in the BSEC region include enhanced coordination; energy infrastructure investment, including interconnectors and transmission lines; renewable energy integration and capacity building to enhance technical expertise in energy trading. Challenges for further advancement of energy trade in the region comprise geopolitical tensions and contrasting political interests of the Member States; divergent national energy policies, introduction of sanctions, etc.

28. Enhancing economic integration in the BSEC region positively affects energy trading. Liberalizing trade at the regional level through regional bilateral and multilateral trade agreements increase energy production and supply in the Region. The potential creation of effective, competitive and stable energy market in the Region, with due consideration to national priorities of the BSEC Member States will increase energy security and diversification of supplies.

29. Many of the large energy projects which are crossing the BSEC Region are important not only for the Wider Black Sea Region, but the whole of Europe contributing to the regional and international energy security. Most BSEC countries are linked by oil and gas production and transportation projects. Through a network of regional energy routes the resources of the region are transported to European and global markets. The BSEC Member States strengthen cooperation among relevant entities in view of their development, compatibility of technical specifications governing the installation, and the operation of such networks.

30. Some of the important regional energy projects are the Baku-Tbilisi-Ceyhan oil pipeline (fully operational since 2006); the Baku-Tbilisi-Erzurum Pipeline, also known as the South Caucasus Pipeline (2006); the Trans-Anatolian Natural Gas Pipeline (TANAP, 2018), Trans-Adriatic Pipeline project (TAP, 2020) that form the backbone of the Southern Gas Corridor; the TurkStream natural gas pipeline (2020); Interconnector Bulgaria-Romania (commissioned in 2016), Türkiye-Greece Natural Gas Interconnector, etc.

31. It is important to mention that the Agreement on Strategic Partnership in the field of Green Energy Development and Transmission among Azerbaijan, Georgia, Romania was signed in December 2022. Hungary was also a signatory of this Agreement that provides for the construction of the Black Sea submarine cable. In the previous period the following projects were also launched: LNG terminal project near Alexandroupolis (construction started in 2022), Interconnector Greece - Bulgaria (operational since 2022), Interconnector Bulgaria - Serbia (operational since 2023), the gas interconnection pipeline between North Macedonia and Serbia (the feasibility study under preparation), etc. The pilot hydrogen Interconnector Bulgaria-Greece project was also initiated (to become operational by the end of 2029). The tripartite Declaration of Intent was signed among Bulgaria, Greece and Romania to develop a series of initiatives which will become the backbone in the field of renewable energy in the region, in Athens in January 2024. A commitment was made to cooperate in the development of joint cross-border projects in offshore wind energy, hydrogen from renewable energy sources and electric vehicle charging infrastructure. All these regional energy projects simultaneously connect the BSEC Member States and the rest of the world, and open vast possibilities for energy trade cooperation.

32. It is notable mentioning the intention of the Republic of Türkiye to become a centre of regional energy trading. Türkiye is one of the important transit routes for the transportation of oil and natural gas. The importance of Türkiye as an energy corridor has been further increased following the recent developments in the Black Sea region. Increasing natural gas storage capacity, diversification of natural gas supply, enlarging energy infrastructure, as well as the discovery of a large gas field in the Turkish part of the Black Sea are important energy trade measures in the Region.

Situation in the BSEC Member States

33. In ***the Republic of Albania*** Law 43/2015 “On the Electricity Sector”, as amended, regulates relations in the activities of production, transmission, distribution and supply of electricity, as well as organization and operation of a competitive electricity market; participation in the electricity market; granting authorizations and licenses in the electricity sector; customer protection, security of supply and creation of competitive structures of the electricity market; the integration of the Albanian market in the regional and European energy markets. Law No. 102/2015 “On the Natural Gas Sector” as amended, defines the rules for the organization and operation of the natural gas market, market access, criteria and procedures that for granting approval for transmission, distribution, supply and storage of natural gas.

34. Law No. 24/2023 “On Encouraging the Use of Energy from Renewable Sources” aims to promote the growth of energy production from renewable sources to ensure sustainable development of the country. The Law foresees measures to reduce the import of organic fuels, the emission of greenhouse gases and protect the environment; to promote the development of the electricity market from renewable sources and its regional integration; to increase the diversification of the use of energy resources and the security of energy supply; to promote rural development by improving the energy supply of these areas.

35. Albania's energy policies include incentives for energy efficiency and renewable energy, electricity tariff reform, market development and integration with the EU and regional markets. Albania adopted the National Energy Strategy 2018-2030 aiming to achieve the following results: reduction of energy imports and increasing local energy production; improving energy efficiency in the residential, services, transport, agriculture and industry sectors; increasing the use of RES technologies; increase of volumes of natural gas in the Albanian energy sector through investments in infrastructure; promotion of foreign direct investments in the energy sector; improving the harmonization of the Albanian energy sector with the Acquis of the

Energy Community and the regional and EU markets; development of a competitive market of electricity and gas, etc.

36. The Energy Sector Development Strategy (until 2040) and the Action Plan for its realisation were approved by the Decision of the Government of *the Republic of Armenia* No 48-L of 14 January 2021. The main priorities for the development of the energy sector of the Republic of Armenia are: maximum use of the renewable energy potential; realization of energy efficiency potential; development of nuclear energy; regional cooperation; the North-South transport corridor construction program; and gradual liberalization of the electricity market.

37. Integration of the Republic of Armenia into regional energy markets is one of the priorities of the country's development strategy. Armenia actively participates in the process of creation of the common electricity market of the Eurasian Economic Union, which is planned to be launched in 2025. According to the "Armenia-European Union Comprehensive and Enhanced Partnership Agreement" cooperation is envisaged in areas such as energy policy, energy security, diversification of energy sources and transmission routes, competitive energy markets, use of renewable energy sources, incentives for energy efficiency and energy saving, regional energy cooperation, scientific and technical cooperation, etc.

38. Armenia is developing cooperation in the field of energy trade also with the countries of the region. Within the framework of regional cooperation operates an interconnection electricity grid between Armenia and Georgia. Due to several constraints, synchronous operation of these power systems has not been carried out. In order to overcome these constraints and increase transmission capacity, the Caucasus Transmission Network Project (Armenia-Georgia Transmission Line) has been developed. In parallel to the implementation of the Project it is planned to elaborate the Agreement on the Principles of Armenia-Georgia Electricity Trade.

39. *The Republic of Azerbaijan* plays an important role in ensuring the energy security of Europe and the Black Sea region. Azerbaijan's strategic and geographical location, its rich energy resources and active participation in regional energy projects make it a key player on the world energy map. Thanks to the significant energy reserves in the Caspian Sea, Azerbaijan is one of the leading producers and exporters of oil and gas in Europe and the Black Sea region.

40. One of the most important projects with involvement of Azerbaijan is the Baku-Tbilisi-Ceyhan oil pipeline. In addition, Azerbaijan is a key participant in the Southern Gas Corridor project, which delivers gas from the Caspian region to Europe. Gas pipelines, including the Trans-Anatolian Gas Pipeline (TANAP) and the Trans-Adriatic Pipeline (TAP), transport Azerbaijani gas to European countries. Azerbaijan's importance for the energy security of Europe and the Black Sea region lies in its ability to diversify energy supply sources and transportation routes, which in turn helps reduce the risks of supply disruptions and improves the stability of energy supplies in the region. Azerbaijan also actively cooperates with other producing and transit countries to develop infrastructure and ensure reliable energy connections.

41. As a country with significant oil and gas reserves, Azerbaijan is becoming a reliable partner for the BSEC Member States in the field of energy trade. One of the main areas of cooperation is the export of Azerbaijani energy resources to the BSEC member states (to Bulgaria, Georgia, Greece, Türkiye and in the future to Albania, the Republic of Moldova and Serbia), which contributes to the diversification of the region's energy portfolio and create new opportunities for investment, trade and energy infrastructure development in the region.

42. In recent years, increasing attention has been paid to the development of alternative energy sources. In the area of renewable energy sources, the BSEC Member States can exchange experience and technologies with Azerbaijan, especially in the field of solar and wind energy.

43. In *the Republic of Bulgaria*, the current situation in the field of energy trading is in line with the country's goals to achieve full liberalization of the electricity market while keeping household consumers on a regulated market by 2026. The main regulatory act in the field of electricity trading in Bulgaria is the Electricity Trading Rules, developed by the Energy and Water Regulatory Commission (EWRC). The management and operation of the high-voltage electricity transmission network on the territory of Bulgaria is carried out by the Electricity System Operator (ESO) EAD on the basis of a license issued by the EWRC.

44. In the context of European alliances, the European Union Regulation No 1227/2011 of 2011 on wholesale energy market integrity and transparency is of particular importance. The Regulation imposes several requirements on trading participants, such as: obligation to report all electricity transactions; obligation to publish inside information about the facilities for whose operation they are responsible; prohibition of manipulation or attempted manipulation of the market; prohibition of inside information trading, etc. Moreover, within the framework of the adopted commitments at EU level to achieve climate neutrality by 2050, Bulgaria pursues a targeted policy for the development of energy from renewable sources.

45. Bulgaria is implementing several projects to introduce market couplings with neighbouring countries, including Greece, the Republic of North Macedonia and Romania. More intensive work is also expected to begin regarding the integration of energy transmission from wind farms, hydrogen and low-carbon gases. The Ministry of Energy and the state energy companies are active at the regional and international levels for the development of energy trade. The Memorandum of Understanding on cooperation in the field of energy between Bulgaria and Greece was signed in January 2024.

46. In *the Hellenic Republic* energy trading is the responsibility of the Energy Exchange Group (En Ex Group). The Energy Financial Market in Greece was established in 2020, with the approval of the Hellenic Capital Market Commission. The Law 4986/2022 regulates the electricity market. The aim of the Law is modernization of the national legislation of the electricity market and its compliance with the corresponding legislation of the European Union; smooth transition to a low-carbon energy system; ensuring affordable and transparent energy prices; enhancing security of supply and the position of electricity consumers; extending the competences of electricity market players and authorities; strengthening the spatial, urban and forest protection.

47. Greece is becoming an energy gateway from the Caucasus, the Middle East and the East Mediterranean to the EU and the South-Eastern Europe, following important investments in existing and underway energy projects. Regarding the interconnections in the electricity sector, the Greek Transmission System has been operating in parallel with the interconnected European Transmission System under the overall coordination of European Network of Transmission System Operators for Electricity (ENTSO-E) since 2004.

48. Greece pursues the goal of becoming the main energy hub of the wider region, diversifying its own and the region's security of gas and electricity supply. Greece participates in the following regional cooperation initiatives: the Energy Community, the Central and South East Europe Energy Interconnection, the Energy Charter, the EU Strategy for the Adriatic-Ionian Region, the Eastern Mediterranean Gas Forum, the Black Sea Economic Cooperation Organization, the Union for the Mediterranean, the International Renewable Energy Agency and the International Energy Agency.

49. In 2023 several legislative acts were adopted in *the Republic of Moldova* in order to liberalize and ensure the flexibility of the electricity and natural gas markets, as well as to harmonize the national legislation with the EU acquis. Measures are taken to increase the security of energy supply, diversify the power sources and ensure the integrity and the

transparency of the wholesale energy market. The 2030 Energy Strategy aims to ensure the security of natural gas supply by diversifying the sources of supply, the types of carriers and through storage facilities, simultaneously with the consolidation of the role of the Republic of Moldova as a natural gas transit corridor. It is also planned to strengthen of the country's role as the electricity transit corridor, building new interconnection lines, connecting to the ENTSO-E system and consolidating the domestic electricity transport network.

50. In 2023 the Republic of Moldova and Romania signed a series of Memoranda of Understanding on the cooperation in the field of energy security, providing for the cooperation to prevent and manage crisis situations in the supply of electricity and natural gas for Moldovan and Romanian markets, as well as achieve the projects for the interconnection of natural gas and electricity networks. These acts contribute to reaching the goal of the Republic of Moldova to become a part of the European energy market and provide for the opportunity to extend the Iași-Ungheni-Chișinău gas pipeline through the construction of a gas transport pipeline - the Chisinau Belt. Moreover, the interest has been expressed in signing a MoU for the natural gas extraction in the Black Sea under the “Neptun Deep” project.

51. The Republic of Moldova closely cooperates with the countries of the BSEC region. The already initiated projects such as the Agreement on the Strategic Partnership in the field of Development and Transmission of Green Energy among the Governments of the Republic of Azerbaijan, Georgia, Romania and Hungary; Greece-Bulgaria Interconnector and Trans-Balkan Pipeline represent an opportunity for the Republic of Moldova and contribute to the strengthening of the country's position as energy transit corridor.

52. The Republic of Moldova plans to further energy cooperation with Ukraine and Azerbaijan. Considering the intention declared by the Republic of Türkiye on the creation of a regional natural gas hub, the Republic of Moldova expresses its interest in the development of long-term bilateral relations to diversify the sources of natural gas supply, as well as ensuring the access of Moldovan companies to natural gas transport networks in Türkiye and facilitating the import of natural gas from Asia and Middle East.

53. ***The Republic of North Macedonia's*** commitment to foster a favorable environment for energy trading is evident in its national legislation. The country has aligned its legal framework with international standards, ensuring a transparent and secure energy market. The energy sector in North Macedonia is marked by stability, providing a solid foundation for the growth of energy trading activities. The Law on Energy regulates inter alia the electricity market, the natural gas market, the market of crude oil, oil derivatives and fuels for transport and the thermal energy market. One of the most important reforms was the establishment of the Energy Regulatory Commission (ERC) in 2002 pursuant to the amending of the Law on Energy. National authorities, local government bodies and trade companies carrying out activities in the field of energy are obliged to provide the Commission with the necessary documents, data, and information upon its request.

54. The state's unwavering commitment to energy trading is articulated through comprehensive policies and national programs. These initiatives aim to diversify the energy mix, promote sustainability, and enhance the competitiveness of North Macedonia in the regional energy market. Aligning with broader European goals, the country focuses on renewable energy sources and efficient energy use. North Macedonia actively engages in fostering energy trading through bilateral and multilateral agreements. Existing partnerships contribute to the stability of the regional energy market.

55. North Macedonia is currently involved in ambitious projects in the energy trading sphere. Significant efforts include the expansion of energy infrastructure, enhancing cross-border connections, and modernizing existing facilities. These endeavors not only boost the national

energy market but also strengthen North Macedonia's position as a reliable partner in the BSEC region. Future plans include further investments in renewable energy projects, increased interconnectivity with neighboring states, and implementation of cutting-edge technologies to optimize energy production and distribution.

56. In **Romania**, the 2030 targets call for developing a new electricity market model to increase energy efficiency, renewable generation, security of supply, sustainability, decarbonization and innovation. The following measures are to be pursued in relation to non-discriminatory access to the electricity market thus ensuring competitiveness; energy storage, facilitating the aggregation of distributed supply and demand; as well as a well-functioning and transparent market which will contribute to security of electricity supply and provide mechanisms to modernize rules for cross-border exchanges of electricity.

57. At the regional level, Romania collaborates in multiple formats related to issues of natural gas. Efforts are focused on securing alternative gas supply routes and sources. Thanks to the “Neptun Deep” project Romania will become the largest natural gas producer in the EU, with the gas exploitation in the site starting in 2027. This project will be one of the most significant EU natural gas projects, enabling Romania to have the most important gas production in Europe, as of 2027.

58. Romania has invested significant resources in strengthening the gas transmission infrastructure, such as the BRUA gas pipeline and the gas pipelines between Romania and the Republic of Moldova. In addition, by diversifying energy sources and transport routes, Romania aims to establish and strengthen links with new partner states, such as Azerbaijan, but also to explore new possibilities by expanding the Southern Gas Corridor. The interconnector between Greece and Bulgaria is considered to be an essential link for access to new routes and sources of energy supply, as well as a possible connection to the Southern Gas Corridor.

59. Legal framework for the development of the electricity and natural gas markets in **the Republic of Serbia** is laid down in the Energy Law (“Official Gazette of the RS“, No.145/14, 95/18-other law and 40/21) and bylaws. As of 1 January 2015, only households and small customers have the right to guaranteed energy supply at the prices regulated by the Energy Agency. The process of introducing competition in the electricity sector in the Republic of Serbia continues by further aligning the regulations with the EU’s Fourth Energy Package.

60. In line with the commitments undertaken under the Energy Community Treaty, two major strategic documents for the energy sector have been drafted: the Integrated National Energy and Climate Plan for the period up to 2030, with projections until 2050 and the Energy Development Strategy for the period up to 2040, with projections until 2050. The Strategy Implementation Programme, which will be adopted by the Government will define all projects, measures and activities over a period of three years to be implemented in all fields of energy in the Republic of Serbia.

61. In June 2022, joint stock company SEEPEX was designated as the nominated operator of the electricity market, responsible for coordinating the process of merging day-ahead market and intraday market of the Republic of Serbia with neighbouring organised energy markets. Merger of energy markets will help increase liquidity of interconnected markets and enable more efficient use of production resources across Europe. In the upcoming period, efforts will be made to bring the Serbian electricity market regulations into line with EU regulations. Several projects are underway to develop, reconstruct and modernise the transmission network, which will contribute to the development of electricity exchange capacity.

62. Located in a region adjacent to approximately 60 percent of the world's oil and natural gas reserves, **the Republic of Türkiye** has become one of the largest markets of natural gas and electricity in the Black Sea region. The multifaceted structure of Türkiye’s energy strategy and

its dependence on foreign energy sources underline the importance of regional cooperation. Ensuring route and source diversification to strengthen energy supply security is one of the main goals of Türkiye's energy strategy. Türkiye continues its efforts to increase the share of renewable energy sources in the national energy mix and to add nuclear energy to this mix, in line with goals of reducing dependence on foreign energy, maximizing the use of local resources and combating climate change.

63. Türkiye aims to become an energy trading hub in its region and to contribute to regional and global energy security. Through the major regional gas and oil pipeline projects, such as Baku-Tbilisi-Ceyhan crude oil pipeline, South Caucasus natural gas pipeline, Baku-Tbilisi-Erzurum natural gas pipeline, Türkiye-Greece Natural Gas Interconnector, Trans-Anatolian natural gas pipeline, TurkStream natural gas pipeline Türkiye has been contributing to Europe's security of energy supply. Moreover, approximately 3 percent of the world's oil demand is transported through the Turkish Straits.

64. The Electricity Market Law No. 6446 and the Electricity Market Balancing and Settlement Regulation regulate the electricity market. Natural Gas Market Law No. 4646 adopted on 18 April 2001 aimed to create a financially strong, stable and transparent natural gas market through its liberalization, as well as to ensure independent regulation and supervision of the market. The Law also determined natural gas market activities and licence types. The Organized Wholesale Natural Gas Sales Market Regulation entered into force after being published in the Official Gazette No. 30024 on 31 March 2017. The Regulation enabled market structure that allows natural gas market participants to trade and eliminate imbalances in the natural gas delivery system.

65. Türkiye is the fourth largest natural gas market in Europe and the sixteenth largest natural gas market in the world. The country's increasing natural gas needs are met from its own resources as well as through natural gas imports via natural gas pipelines withing the long-term contacts with the Russian Federation, Azerbaijan and Iran. Türkiye is one of the tenth largest LNG importers in the world, with imports from Algeria, the United States, Egypt and other countries. Türkiye started exporting natural gas to Bulgaria, Greece, Romania, and other countries within the scope of the Rules and Procedures on the Use of Natural Gas Export Exit Points that came into force after being published in the Official Gazette No. 32157 on 8 April 2023.

66. Thanks to the BSEC platform, *Ukraine* can significantly increase the possibilities of sustainable development of its own energy sector. The Southern Gas Corridor is of particular interest for Ukraine. The commercial launch of the last section of the Southern Gas Transport Corridor - the TAP gas pipeline- is in Ukraine's strategic interest, which is to become part of the project via the Trans-Balkan Gas Pipeline.

67. Ukraine considers the following steps to be important: the implementation of measures envisaged by projects of common interest on the possible development of reverse gas flows through the Trans-Balkan gas pipeline; initiation of a dialogue regarding the involvement of Ukraine in the TAP on the basis of mutual obligations between Ukraine and the European Union.

68. Ukraine is interested in the implementation of infrastructure projects in the Caspian region, as well as in the prospect of reverse use of the Trans-Balkan gas pipeline for supplies to Ukraine. Since 2020, the functioning of the points of interstate connection between Ukraine and European countries takes place in accordance with the requirements of the Third EU Energy Package, with the provision of free access of third parties to capacities through auctions.

69. The Gas Transmission Operator Ukraine continues to cooperate with partners from Romania and the Republic of Moldova on the development of natural gas transportation via the

Trans-Balkan route, which will provide better conditions for the development of cooperation with Azerbaijan. Also, Bulgaria can be potentially possible source for the supply of Azerbaijan gas.

IV INTERNATIONAL EXPERIENCE AND FRAMEWORK

Regional level

The Organization of the Black Sea Economic Cooperation (BSEC)

70. The Organization of the Black Sea Economic Cooperation represents a central platform for member states to collaborate in various sectors. In the updated strategic BSEC document “The BSEC Economic Agenda - Towards a sustainable future of the Wider Black Sea area” adopted on 15 December 2023, Goal 1 is dedicated to “intensifying intra-regional trade and investments” and Goal 4 to “sustainable energy and development of the Black Sea energy market”.

71. The main activities of the BSEC Member States in the field of energy are conducted within the Working Group on Energy. The Republic of Azerbaijan is the Country-Coordinator for the period until 30 June 2025. The priority areas of the WG Plan of Action are exploring new cooperation opportunities among the Member States; implementation of measures to strengthen cooperation among energy exporting, importing, and transit countries in the Black Sea region; continuing cooperation in bilateral and multilateral formats to enhance energy security; development of the relevant infrastructure to ensure diversification of sources and routes of energy supply; strengthening cooperation in energy supply, energy efficiency, traditional and renewable energy, advanced practices and scientific research. It is planned that the BSEC Member States will continue cooperation in the areas of electricity, energy efficiency, renewable energy, traditional energy, relations with international energy organizations, etc.

72. In the sphere of energy, the BSEC’s efforts were directed towards development of a competitive regional energy market through supporting investments in energy infrastructure, increasing energy security, interconnectivity and further diversification of energy sources and routes. The energy issues and cooperation were discussed in seven Meetings of the Ministers in charge of Energy of the BSEC Member States, namely: in Baku (2003), Alexandroupolis (2005), Sochi (2006), Kyiv (2008), Yerevan (2009), Sofia (2010) and Belgrade (2012). The meetings resulted in Ministerial Declarations which emphasised the role of energy in the sustainable development of the BSEC Member States and accentuated the need of multilateral regional collaboration in the energy sector through the elaboration of common approaches and projects.

73. In the sphere of trade, BSEC undertook necessary steps to promote, expand and diversify regional trade by means of trade facilitation and liberalization. The trade issues have been discussed at in several Meetings of the Ministers in charge of Economy of the BSEC Member States, namely: in Bucharest (2011), Yalta (2013), Chisinau (2015) and Istanbul (2017). The adopted Ministerial Declarations call for enhancement and liberalizing of intra-regional trade. The main activities of the BSEC Member States in the field of trade are conducted by the Working Group on Trade and Economic Development.

European Union (EU)

74. The European Union is an energy high consumption region characterized by energy import dependency. In 2021 the energy produced in the EU accounted for approximately 44 percent and 56 percent of energy was imported. The demand for primary energy resources in the EU significantly exceeds its production, and the EU does not have significant long-term fossil fuel reserves. Until recently, the EU’s energy trade structure depended on imports from the Russian Federation, which was as the largest supplier of energy resources to the EU. Following the

disruption of energy trade relations between the EU and the Russian Federation, changes were observed in the EU's energy import amount, as well as value and structure of import due to several packages of economic sanctions against Russia.

75. At the present, the EU Member States are redesigning their energy strategies to reflect new geopolitical realities and to address the need for affordable energy. The EU's REPowerEU Plan was launched in May 2022 as a response to the changed geopolitical situation. It aims to further end all the Russian fossil energy imports, as well as to diversify and reshape the pattern of imports while increasing the strength of the EU's own energy system. The plan includes a set of integrated measures in the fields of energy-saving, adopting exceptional and structural actions in electricity and gas markets and accelerating the deployment of renewables. Also, the EU has been progressively enlarging its LNG import capacities by developing new LNG infrastructure. The share of LNG in EU energy imports rose from 20 percent in 2021 to 42 percent of total gas imports in 2023.

Energy Community Treaty

76. The Energy Community is an international organisation gathering the European Union and its neighbours with the aim to establish an integrated pan-European energy market. This is achieved by extending the EU internal energy market rules and principles to the Black Sea region, the South-Eastern Europe and beyond, based on a legally binding framework. It focuses its work *inter alia* on efforts to establish a stable regulatory and market framework and an integrated energy market that will allow cross-border energy trade and integration with the EU market. Albania, Georgia, Moldova, North Macedonia, Serbia and Ukraine are contracting parties, while the EU Member States participate collectively as the European Union. Armenia and Türkiye participate as observers in the Energy Community.

European Network of Transmission System Operators for Electricity (ENTSO-E)

77. The European Network of Transmission System Operators for Electricity is the association for the collaboration of the European transmission system operators. Its aim is ensuring the security of the interconnected power system in all time frames at pan-European level and the optimal running and growth of the European interconnected electricity markets, while enabling the integration of electricity produced from renewable energy sources. Albania, Bulgaria, Greece, Republic of North Macedonia, Romania, Serbia and Ukraine are members of the ENTSO-E, while the Republic of Moldova and Türkiye are observers. States are represented in ENTSO-E through their national system operators and are obliged to comply with the rules of the continental Europe synchronous area.

Central and South Eastern Europe Energy Connectivity (CESEC)

78. The Central and South Eastern Europe Energy Connectivity seeks to accelerate the integration of Central Eastern and South Eastern European gas and electricity markets. This high-level working group was set up by Austria, Bulgaria, Croatia, Greece, Hungary, Italy, Romania, Slovakia, Slovenia and the EU in February 2015. The following BSEC Member States joined the group later as contracting parties: Albania, the Republic of Moldova, the Republic of North Macedonia, Serbia and Ukraine. The goals of the CESEC are: coordination of efforts to complete cross-border and trans-European projects to diversify gas supplies in the region; development of regional gas markets and implementation of harmonised EU rules for the optimal functioning of the energy infrastructure; a joint approach on electricity markets, energy efficiency and renewable development; creation of an interconnected regional electricity market; enhancement of renewable energy and investment in energy efficiency in the region.

The global level

The Organization of the Petroleum Exporting Countries (OPEC)

79. The Organization of the Petroleum Exporting Countries is a permanent, intergovernmental organization gathering leading oil-producing countries. According to the estimates, around 79.5 percent of the world's proven oil reserves are located in OPEC member countries. The Organization was founded in 1960 in Baghdad. Its mission is to coordinate oil policies among its member countries with the aim of stabilizing the oil market for consumers, producers, and investors. In 2016, OPEC signed an agreement with several non-OPEC oil producing countries, creating OPEC+.

The Gas Exporting Countries Forum (GECF)

80. The Gas Exporting Countries Forum is an intergovernmental organisation that comprises the world's leading gas exporting countries. The Organization provides a framework for exchanging experience and information among its member countries that represent 69 percent of the world's gas reserves, 40 percent of global gas exports and 51 percent of the global LNG exports.

International Energy Charter

81. Energy Charter Treaty represents an international effort to strengthen the rule of law on energy issues by setting multilateral rules to be observed by all participating governments, thus reducing risks correlated to energy trade and investment. It aims to create a legal foundation for an open international energy market and improved energy security. The Energy Charter Treaty entered into force in April 1998 and it is a legally binding multilateral instrument.

82. The Treaty's provisions for the energy sector are intended to advance energy trade, to safeguard reliable transit and to promote efficient energy use. Special emphasis is given to promotion of reliable international transit flows. Member countries are under an obligation to enable energy transit in accordance with the principle of freedom of transit and not to interrupt or reduce established energy transit flows. Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, the Republic of Moldova, North Macedonia, Romania, Türkiye, Ukraine and European Union are members, while Serbia and BSEC have observer status.

International Atomic Energy Agency (IAEA)

83. The International Atomic Energy Agency was founded in 1957 with the mandate to work with its Member States and multiple partners at the global level to promote safe, secure and peaceful nuclear technologies. Its objective is to foster the contribution of atomic energy to peace, health and prosperity and control that it is not used in such a way as to further any military purpose.

International Energy Agency (IEA)

84. Recognizing growing global interdependence in energy, the International Energy Agency aims to promote the effective operation of international energy markets. The IEA has been providing information and policy advice recommendations to countries, assisting in formulating energy policies with the aim of the establishment of free and open markets, ensuring secure and sustainable energy, supporting energy security and advancements towards transition to clean energy. Greece and Türkiye are member countries, while Ukraine is an association country to the IEA.

International Renewable Energy Agency (IRENA)

85. Established in 2009, the International Renewable Energy Agency is a universal intergovernmental organisation that encourages the widespread adoption and sustainable use

of all forms of renewable energy. IRENA also promotes trade in renewable energy. All BSEC Member States are members of the IRENA.

V CONCLUDING REMARKS

86. The energy sector in the Black Sea region is a prosperous one and in a state of dynamic change. One of the main characteristics of the BSEC Member States is their energy potential, although not all of them are homogeneous in terms of energy sector development level. The development of energy trading and its diversification is a necessary condition for ensuring energy security. Regional cooperation in the energy trading helps to reduce the costs of energy supplies and minimize adverse impacts from energy price volatility for national economies. Energy cooperation is an integral part of the Black Sea Economic Cooperation concept, which attaches paramount importance to constructive and fruitful cooperation among the countries of the Region.

87. In the framework of the strong development of the Eurasian energy infrastructure, the role of the BSEC region is becoming increasingly important in creating systems to ensure regional and global energy security and strengthen energy markets. In this regard, the efficiency of transporting energy resources through pipelines and expanded power transmission networks, as well as the implementation of new energy projects and renovation of existing energy infrastructure, is of particular importance. Strengthening cooperation among the BSEC Member States and energy stakeholders will help adapt to current trends in global development and create new mechanisms for combining the national interests of the Member States with the tasks of regional cooperation, taking into account new realities and opportunities.

88. Strengthening the regional approach to the energy market will make it possible to integrate energy resource potentials of the countries, introduce common energy efficiency systems, and expand the use of renewable energy resources. This will allow to minimize the risks of uncertainty in energy and related markets and balance more effectively supply and demand at the regional level. The formation of a regional approach will open up greater opportunities for the introduction of new instruments in the energy sector.

89. The global energy market at present is largely dependent on geopolitical developments with a high degree of uncertainty associated with the current crisis in Ukraine. This circumstance makes us feel more alarmed about the energy future and clearly understand the consequences of the crisis in the energy sector. Therefore, the main directions of national energy strategies should be focused on increasing the efficiency of cooperation in the field of energy trading in the Wider Black Sea Region.

90. The PABSEC highly appreciates the efforts of the BSEC Member States to expand bilateral and multilateral interaction in the field of energy trading and calls for sharing common responsibility to overcome existing energy problems in the Region and ensure a clean energy future through sustainable energy solutions.