

PA Energy – BEMIP Action Plan (for competitive, secure and sustainable energy)

Coordinated by BEMIP (overall) & Latvia and Denmark

The European Council of October 2009 in its conclusions supported an EU objective to reduce greenhouse gas emissions by 80-95% by 2050 compared to 1990 levels, in the context of necessary reductions by developed countries as a group deemed necessary by the Intergovernmental Panel on Climate Change (IPCC).

The 2020 energy and climate strategy sets out the targets in the area of greenhouse gas emissions (a 20% cut), renewable energy (at least a 20% share) and energy efficiency (a 20% improvement). The 2030 Framework for Energy and Climate sets targets for 2030 of at least a 40 % reduction in greenhouse gas emissions, a 27 % share for renewable energy and a 27 % increase in energy efficiency.

The strategy on the Energy Union presented by the European Commission on 25 February 2015 defines five key interlinked and mutually reinforcing dimensions: energy security; solidarity and trust; a fully integrated internal energy market; energy efficiency as a contribution to the moderation of energy demand; decarbonisation of the economy; and research, innovation, as well as the governance framework for the Energy Union.

The Communication from the Commission to the European Parliament and the Council sets the target of achieving the 10% electricity interconnection target to make Europe's electricity grid fit for 2020.

The European Commission Communication *European Energy Security Strategy* (EESS) of 28 May 2014 sets out the medium to long-term measures, including making the internal energy market for electricity and gas work better; accelerating the construction of key interconnectors; moderating energy demand; increasing safe and sustainable energy production; diversifying external supplies; and improving coordination of national energy policies.

The Baltic Energy Market Interconnection Plan (BEMIP)

The work and achievements of regional cooperation in the energy sector in the Baltic Sea region is conducted within the framework of the Baltic Energy Market Interconnection Plan initiative (BEMIP). The BEMIP Action Plan was agreed in June 2009 and amended in March 2011 (West Baltic Task Force Action Plan) and in March 2013 (Roadmap for the Implementation of Natural Gas Projects in the Eastern Baltic Sea).

The Memorandum of Understanding on the BEMIP initiative was signed on 17 June 2009 by the President of the European Commission and the political leaders of eight participating Member States.¹ The primary objective was to achieve an open and

¹ Participating Member States: Denmark, Germany, Estonia, Latvia, Lithuania, Poland, Finland, and Sweden. Norway participates as an observer.

integrated regional energy market in electricity and gas between Member States in the Baltic Sea region. The BEMIP initiative was further reinforced through reforms launched by the European Commission at the BEMIP High Level Group (HLG) meeting on 31 October 2014; and the Declaration on Energy Security of Supply signed on 14 January 2015 by the Energy Ministers of the Baltic States. This declaration specifically called for developing liberal, transparent, competitive and fully functioning regional gas and electricity markets; full implementation of the third energy package; market integration; construction of necessary infrastructure; synchronisation of the Baltic States with the continental European network; and implementation of the European Energy Security Strategy.

The political guidelines of the reform of the BEMIP initiative, where a new BEMIP Action Plan is an integral part for its technical implementation, are agreed in the new Memorandum of Understanding on the reinforced Baltic Energy Market Interconnection Plan – BEMIP (MoU). The MoU was agreed by the BEMIP HLG on 28-29 May 2015 and signed by the Sides on 8 June 2015.

This is a common Action Plan for the BEMIP initiative and the EU Strategy for the Baltic Sea Region in Energy policy implementation². The detailed projects ('flagships') contributing to the agreed actions will be identified at a later stage and will form an integral part of the Action Plan.

This Action Plan defines actions to be implemented mainly in the areas of energy infrastructure, gas and electricity markets, power generation, security of energy supply, energy efficiency and renewable energy. The Action Plan encompasses the period to 2020. However, the implementation of specific actions and projects may be extended beyond 2020 according to the ten year network development plans (TYNDPs elaborated by ENTSO-E and ENTSO-G) or other relevant documents.

The Action Plan may be updated, in particular to take into account of relevant developments in the energy sector, following agreements between the Member States of the Baltic Sea region and the European Commission.

Objectives, indicators and targets are fully in line with and contribute to the attainment of the Europe 2020 energy and climate strategy and the objectives of the 2030 framework for climate and energy, as well as reflect the specific needs of Member States in the Baltic Sea region. Concrete actions are to be developed to reach objectives and sub-objectives, and these are set out in the table below. In order to ensure that the statistical information is used, the years 2013 or 2014 respectively are selected as baseline years.

Objective/sub-objective	Base-line	Indicator	Target/deadline	Implementing body
Better interconnected electricity market	2014	Compliance with the interconnection target of 10%	Achievement of at least 10 % interconnection target by all the Member	National ministries, TSOs, project promoters

² The Memorandum of Understanding on reinforced Baltic Energy Market Interconnection Plan “BEMIP” of June 2015 states that working methods of the working groups should be defined in their terms of reference by the European Commission and the Member States and when deciding on methods, those laid down by the TEN-E Regulation, may be considered.

			States by 2020	
	2014	Electricity price difference between bidding areas	Alleviating congestion and maximising the possibility for the markets to use the existing interconnections by 2017.	National ministries, TSOs, project promoters
Level playing-field for market participants	2014	Gradual phase-out of regulated prices for households	National electricity price regulations mechanisms abolished by 2017/2020	National ministries, NRAs
	2014	Electricity network codes and guidelines implemented	National implementation in time	National ministries, NRAs, TSOs
	2014	Compatible approach towards rules applied in trade with electricity between FI-RU and Baltic-RU/BY	Compatible trading principles and platform towards non-EEA countries by 2017	National ministries, NRAs, TSOs
	2014	Common Baltic Nordic balancing market	Baltic – Nordic Coordinated Balancing Area 2018	TSOs, NRAs
Baltic States integrated to the EU internal electricity market	2014	Deepening of the Baltic States integration with Nordic and Central Europe electricity markets, including identification of preconditions for Baltic synchronous operation with the network of Continental Europe and elaborating an Action Plan for synchronisation activities.	Baltic synchronous operation with the network of Continental Europe 2025	National ministries, NRAs, TSOs, project promoters
Interconnected gas grid	2014	State of isolation	Finland and Baltic States connected to the European grid by 2019 (GIPL & Balticconnector) by 2019	National ministries, TSOs, project promoters
	2014	State of interconnected gas networks,	Enhanced interconnection with bi-directional flows between neighbouring Member States by 2020 and mainly between FI-EE, EE-	National ministries, TSOs, project promoters

			LV, LV-LT, LT-PL	
	2014	State of diversification of gas supplies	Reducing dependency on a single gas supplier, mainly of Estonia, Latvia, and Finland. Increased number of gas sources by 2019	National ministries, TSOs, project promoters
	2014	Preparation of a regional gas market model in the Baltic states and interconnected gas market with Finland	Agreement on the regional gas market model in the Baltic states and interconnected gas market with Finland and its implementation measures (Action Plan on regional gas market development) by 2015	National ministries, Regulators, TSOs (Regional Gas Market Coordination Group)
	2014	Harmonisation of gas measurement units	Harmonization of measurement of gas flows for commercial purposes in energy units (kWh at gross calorific value) by 2016	National ministries, Regulators, TSOs
	2014	State of interconnected gas networks, reverse gas flows	Connection of the Polish transmission network with the Danish transmission system by 2022	National ministries, TSOs, project promoters
Level playing field for market participants	2014	Network codes implemented	East Baltic states regional gas market with interconnected Finnish gas market operational and effectively functioning by 2020	National ministries, Regulators, TSOs
	2014	Transparent and non-discriminatory access to gas infrastructure	National legislation adopted by the end of 2015 (excluding derogations in Finland)	National ministries, Regulators, TSOs
	2014	A unified trading platform for the regional gas market	Common East-Baltic trading platform created for exchange and capacity allocation platform by 2020	National ministries, Regulators, TSOs
	2014	A common entry-exit tariff regime (wholesale market)	A common Baltic entry-exit tariff regime adopted (wholesale market) by 2020	National ministries, NRAs, TSOs
	2014	Reverse gas flows	2020 (taking into account derogations)	National ministries, NRAs, TSOs, project

				promoters
	2014	Develop a Joint Preventive Action Plan and a Joint Emergency Plan for the three Baltic States and Finland and close coordination across BEMIP in the implementation of security of gas supply framework	2015/2016	National Ministries, energy agencies, regulators, TSOs
	2014	Regional system adequacy assessment report prepared (electricity)	2020	National ministries, TSO's, competent authorities
Fuel switching in heating/ Increased use of RES in heating	2014	Share of indigenous energy sources in heating	2020	National ministries
	2014	Use of RES in heating	Improved security of supply and reduced CO2 emissions	
Promotion of the development of sustainable energy	2014	Share of energy from renewable sources in gross final consumption of energy	Achievement of national binding RES targets set in the RES Directive	National ministries, project promoters
	2014	Share of renewable energy in transport sector	Achievement of 10% renewable energy target in transport (RES Directive 2009/28/EC) by 2020	National ministries, project promoters
	2014	Integration of renewable energy in electricity system	Reinforced electricity distribution and transmission grids, including improved interconnections, smart grids and storage facilities, incentivising flexibility through market design for integration of renewable energy by 2020 within the framework ENTSO-E TYND	National ministries, TSOs, project promoters
	2014	Cross-border cooperation on renewable energy	Possibilities of exploring the potential of renewable energy in the region, including off-shore wind power	National ministries, TSOs, project promoters

			identified	
Promotion of energy efficiency (EE)	2014	Level of energy savings	Achievement 20% EE target by 2020 and national EE targets set in line with the EE Directive	National ministries

Regarding promotion of the sustainable energy development and energy efficiency priorities, achievement of the 2030 targets for renewable energy and energy efficiency at the EU level will require enhanced regional cooperation among Member States. To this end, the BEMIP Action Plan will be coordinated with the governance system of the Energy Union, in particular with regard to the implementation of the 2030 framework for energy and climate.

The specific roadmaps, measures, projects and studies necessary to achieve, effectively and in good time, the objectives agreed for the identified energy priority areas will be defined at a later stage.

The Sides express their intention to coordinate their cooperation under the BEMIP initiative in the above-mentioned six energy priority areas and they agree to make best endeavours to meet the objectives defined for these areas. Each Side may decide not to take part in the work on an energy priority area when this is of no relevance to its territory.

(1) Electricity and gas markets

The Sides intend to work together towards establishing an open, competitive and fully integrated regional energy market in the Baltic Sea region in both the electricity and gas sectors. Its operation will be fully compatible with the Union's third energy legislative package.

➤ Electricity markets

The main common objectives of regional cooperation in the electricity markets of the Baltic Sea region are:

- Equal market conditions (no discrimination among market participants and no obstacles for new entrants);
- Free, cross-border, intra-EU trade and market opening;
- Free competition in each country with effective third party access regimes;
- A flexible electricity market better adapted to the energy transition, both on the supply and demand side, thus enabling the market integration of new generation sources, in particular renewables, and removing market barriers;
- Reduced market concentration through, for example, increased competition and cross-border trade;
- Sufficiently high market liquidity;
- Fair and effective price formation (competitive and transparent market price for electricity);
- Transparent and effective capacity allocation according to the network code, based on implicit auction and flow-based methodology;
- Facilitating the integration of new sources of electricity, notably renewables, into the market;

- Transparent and easily accessible market information;
- Efficient market monitoring; and
- Regarding trade with non-EEA third countries: reciprocal principles and a common approach towards rules applied in trade with non-EEA third countries within the framework of the Union's intergovernmental agreements.

The Sides express their intent to work to develop competitive energy markets that provide incentives for investments in new, competitive power generation capacity in the Baltic Sea region, and to work on measures regulating electricity imports from third countries to ensure that EU electricity producers have a level playing field *vis-à-vis* third country producers.

➤ Synchronisation

The Sides acknowledge that synchronisation of the Baltic States with the continental European network that contributes to achieving a fully functioning and connected internal energy market and to the increase of energy security in the electricity sector of the Baltic States is included in the scope of the Baltic Energy Market Interconnection Plan initiative as a self-standing objective given, in particular, its legal, technical and financial complexity and political importance. A BEMIP working group is established to discuss various aspects of the integration of the electricity network of the Baltic States into the continental European network. Such aspects include the synchronous operation and all related issues, such as the security of operation of the power systems of BEMIP countries, adaptation needs of existing and planned production sources in the region (including planned nuclear power plants), expansion of transmission networks (including significant investments needed) in all those BEMIP countries concerned, and electricity trade with third countries, including a future role of connections with third countries.

➤ Gas markets

Efforts should be continued to implement the most economically viable solution to connect Finland and the three Baltic States to the continental European gas network and to new gas supply sources, and to accelerate market opening in the Member States applying derogations from the Union's third energy legislative package.

Following the decision in Tallinn on 5 December 2014 of the Prime Ministers of the three Baltic States, Estonia, Latvia and Lithuania commit to work together towards:

- i. the creation of an effectively functioning regional gas market in their territories;
- ii. achieving the full implementation of the Union's third energy legislative package in the Baltic States; and
- iii. the integration of their gas market with the continental European market and the Finnish market. Finland commits to participate in this work, which aims at interconnecting its gas market to the Baltic States regional gas market.

(2) Security of supply

The Sides agree on working together to develop energy security measures in the Baltic Sea region and to enhance regional cooperation on risk assessment, including a

regional system and security of supply adequacy assessment and emergency preparedness. In the first stage, the work will concentrate on regional system and security of supply adequacy assessments in the electricity sector, and on the proper implementation of the Union's legislation on security of supply in all relevant sectors. Representing a region that is highly vulnerable to potential gas crises, the Member States of the Baltic Sea region should work, if possible on the basis of a common approach, towards strengthening the Union's policy in the security of supply area. Based on the principles of solidarity, the interested Sides should work to put in place a consistent preventive strategy and emergency response systems to effectively address potential disruptions of gas supply — particularly in the power and district heating sectors — and to develop regional preventive action plans and emergency plans. The Sides recognise the potential for increasing security of supply through energy efficiency measures and fuel switching in the heating sector.

(3) Energy infrastructure

The Sides recognise the need for market-based investments in electricity, gas and oil infrastructure to achieve the objectives of the Union's energy policy, including: ending energy isolation of Finland and the Baltic States; integrating the Baltic States' markets; increasing diversification of energy supply; enhancing security of supply; ensuring market opening; integrating renewable energy; and delivering electricity interconnection targets.

The Sides agree to coordinate their work on energy infrastructure projects identified in the BEMIP action plan. Projects should include Projects of Common Interest included in the first and subsequent Union lists of Projects of Common Interest and other energy infrastructure projects that have critical importance for meeting the Union's energy policy or for the functioning of the regional electricity and gas market.

The Sides intend to make best endeavours to implement in good time the infrastructure projects located on their territory. They also intend to provide necessary support to, and coordinate their work on, cross-border projects directly crossing the border of, or having a significant cross-border impact on, two or more Member States. In this context, the BEMIP high-level group should regularly monitor and discuss the implementation of critical energy infrastructure projects.

(4) Nuclear energy

The Sides express their intent to work together with regard to three aspects of nuclear energy policy, i.e. nuclear safety, nuclear safeguard and nuclear security.

The Sides express their willingness to exchange information and views on their plans to construct new nuclear power plants in the Baltic Sea region and on the decommissioning process of existing nuclear power plants.

(5) Renewable energy

The Sides commit to take measures, as defined in their national laws and national renewable energy action plans, to achieve the binding, national, overall renewable energy targets set in Part B of Annex I to Directive 2009/28/EC, and sectoral targets

for electricity, heating and cooling, and transport. They commit to exchange information and best practice to this end.

The Sides intend to work together to achieve the EU's binding 20 % renewable energy target and national targets for 2020 laid down in the Renewable Energy Directive, with a view to continuing the work towards achieving the binding EU-level renewable energy target of at least a 27 % share by 2030. In this regard, the Sides intend to discuss the possibility of setting up a macro-regional roadmap for contributing to the EU renewable energy target for 2020, and with a view to 2030.

The Sides intend to discuss the potential and possible measures for an improved cooperation between the Member States in the Baltic Sea region, and their cooperation with other Member States, through the use of cooperation mechanisms provided for in the Renewable Energy Directive in order to harness the full potential of renewable energy sources.

The Sides may discuss cross-border support projects including joint support schemes between individual or several Member States in the Baltic Sea region. Cooperation will be on a voluntary basis only, upon mutual agreement between the countries involved and should take into account existing grid capacities.

The Sides intend to work together in the area of research and development of renewable energy technologies. They intend to facilitate further cooperation between the region's research centres and companies, which would result in a better and more cost-effective use of R&D infrastructure and capacity and EU financing instruments, including those designed for territorial cooperation. This should result in exploiting the innovation potential in the region that would alternatively be left uncaptured if addressed on a single country level.

The Sides intend to work together towards improving access to finance for renewable energy projects that have the potential to better harness the renewable energy potential in the Baltic Sea region. Such projects would include projects increasing the use of local renewable energy in district heating and improving the security of supply in the heating sector, and use of renewable energy sources in municipal infrastructure projects in urban centres.

The Sides intend to work together by exchanging information and best practice and by cooperating to increase the contribution of renewable energy in the transport sector.

(6) Energy efficiency

The Sides should work together to increase energy efficiency at all stages of the energy chain from generation to final consumption. This will help to achieve energy efficiency objectives defined in the Union's legislation and the 2020 and 2030 energy and climate strategies and in the strategy on the Energy Union.

The Sides intend to share information and best practices on — and to cooperate on measures that aim at — improving their energy efficiency, and which include in particular:

- Achieving new savings each year of 1.5 % of the annual national energy sales;
- Energy efficient renovations to be undertaken in at least 3 % of buildings owned and occupied by central governments each year, or an alternative approach, such

as other cost-effective measures, including deep renovations and behavioural change of occupants, in accordance with the Energy Efficiency Directive;

- Requirements on buildings, including mandatory energy performance certificates in accordance with the Energy Performance of Buildings Directive;
- Developing efficient district heating to improve energy efficiency and security of supply, in accordance with Article 14 of the Energy Efficiency Directive;
- Minimum energy efficiency standards and labelling requirements for a variety of products such as boilers, household appliances, lighting and televisions, and effective market surveillance related to these ecodesign and energy labelling requirements;
- The preparation of national energy efficiency action plans every three years;
- The planned rollout of smart meters for electricity and gas;
- Energy audits carried out at least every four years by large companies;
- Protection of the rights of consumers to receive easy and free access to data on real-time and historical energy consumption.

The Sides will also exchange information, experience and best practice on the possibility of using the Union's financial instruments, including the regional and structural funds and the European Fund for Strategic Investments, for energy efficiency measures and projects.