



**COUNCIL OF
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NOTE

from : General Secretariat of the Council
to : Delegations

Subject : Baltic Energy Market Interconnection Plan
- Information from the Commission

Delegations will find attached information from the Commission on the above.

**INFORMATION NOTE
ON THE BALTIC ENERGY MARKET INTERCONNECTION PLAN**

Background

The Baltic Energy Market Interconnection Plan (BEMIP) is an action plan on energy interconnections and market improvement in the Baltic Sea Region. The plan responds to the urgent need of connecting the Baltic region with the EU. The connection of "energy islands" in the EU with the internal market was one of the priorities stressed in the second Strategic Energy Review endorsed by the European Council last year.

In this context, President Barroso following the agreement of the Member States of the Baltic area, has set up a High Level Group (HLG) chaired by the Commission on "Baltic Interconnections". The members of the High Level Group are SE, PL, DE, DK, LT, LV, EE, and FI. Norway has an observer status. The HLG started to meet on 20 November and agreed on the objective to provide the plan by July 2009.

The BEMIP is also identified as a *flagship project* in the broader context of the Baltic Sea Region strategy which was presented by the Commission on 10 June.

Scope

The Baltic Energy Market Interconnection plan covers:

- Energy market integration
- Electricity interconnections and power generation
- Gas diversification of routes and sources

Technical level working groups, made up of ministries' representatives, TSOs and regulators, were established for the above topics; they reported on their progress to the HLG. Electricity aspects are the most important part of the BEMIP, gas issues are also addressed.

Main conclusions of the Action Plan

- (1) For *electricity market integration*, the future market design for the three Baltic States - based on the Nordic markets' model - has been agreed. A roadmap has also been agreed: it describes the steps and timeline on how to achieve the opening and integration of the electricity markets in the region.
- (2) For electricity interconnections, the development of new interconnections in the region is closely linked with the development of new generation capacity in the Baltic States. The conditions for a successful operation of the interconnections are:

- Development of the market in the Baltic States
- No exemption from Third Party Access
- Common position for electricity import from non EEA countries

There are three agreed "sets" of projects:

- Projects in the Nordic states as defined in the Nordic Master Plan
 - Nordic – Baltic interconnections
 - German – Polish interconnections that are covered by the Central Eastern Forum as well as by the European coordinators who are responsible for projects in the region
- (3) For *gas*, actions to improve market functioning have been identified. There is also an indicative list of projects which will be updated in the future as further analyses are performed on their viability, and as market opening and integration actions are implemented. Work on this topic will continue during the next few months.

Next steps

The Action Plan is accompanied by a Memorandum of Understanding. This is proposed to be signed by the Prime Ministers on 17 June in the margins of the European Council.

For the monitoring of the implementation of the Action Plan, it is suggested that the High Level Group is maintained for semester or annual meetings. For its part, the Commission continues to fulfil the monitoring and reporting role of the Action Plan implementation by means of Regular reports that can also be presented to the Energy Council.