



Conference Report

“Energy Dialogue in the Baltic Sea Region”, May 6 2015

Introduction

The conference “Energy Dialogue in the Baltic Sea Region” on May 6, 2015 in Copenhagen gathered around 140 representatives from governmental authorities, business, academia, European and regional institutions as well as experts. The conference was organized by the Baltic Development Forum and the Danish Ministry of Foreign Affairs and was supported by the Nordic Council of Ministers. The conference was held in connection with the Danish Presidencies for the Nordic-Baltic co-operation (NB8) and the Nordic Council of Ministers in 2015, back-to-back with the NB8 meeting of Foreign Ministers in Helsingør. The Danish Minister for Foreign Affairs, Martin Lidegaard, and the Latvia’s EU presidency Minister for Foreign Affairs, Edgars Rinkēvičs, introduced the conference together with BDF Chairman, Lene Espersen, and the Danish Minister for Climate, Energy, and Building, Rasmus Helveg Petersen. The conference was a part of the Danish priorities for NB8 in 2015 and the Baltic Development Forum’s initiative to launch an energy dialogue in the Baltic Sea Region.

The overall objective of the conference was to shed light on the challenges related to energy security and energy efficiency in the Baltic Sea Region, taking into account international commitments on sustainable development and the challenges of low economic growth. The conference aimed at coupling the regional energy vision with a tangible way forward involving both the public and private sector.

The conference provided valuable inputs to the discussion on energy in the Baltic Sea Region, contributed to the discussions on the Energy Union and made concrete suggestions on how to strengthen a regional approach to energy. The key messages from the conference will be incorporated into the BDF framework project “Energy Dialogue in the Baltic Sea Region” where they will serve as inspiration for enhanced dialogue among private and public stakeholders throughout the Baltic Sea Region, inspire future activities and papers, and be fed into the discussions on regional energy cooperation at the regional and EU level.

Key Messages and Recommendations

- *Energy is at the top of the political agenda*

Energy cooperation in the Baltic Sea Region has until now mostly been focused on energy infrastructure and market development. With the recent geopolitical developments in the neighbouring region, energy is now at the top of the political agenda in the entire region with energy security as a major priority.

- *Significant achievements have already been made*

The Baltic Sea Region has made significant achievements in the energy area, which the future regional collaboration can build upon. Large challenges still remain and common solutions will require joint action from all countries in the Baltic Sea region.

- *Enhance regional energy cooperation*

Regional cooperation is a vital element of the Energy Union and a significant step towards a full integration of energy markets in the European Union. Each country has a lot to offer to its neighbours, and we can all learn from each other's best practices and joint actions. Closer cooperation will make it possible to produce cheaper energy, to reach the highest degrees of renewable, fossil-free energy, and to secure supply. By using a regional rather than a national approach, more savings can be reaped and re-invested into more sustainable energy infrastructure. The Nordic cooperation has been based on a high degree of political trust. There is a need to build trust in the Baltic Sea Region by ensuring transparency in intergovernmental agreements, by developing stable governments and infrastructure. By demonstrating long-term projects, perspectives and mind-sets, we can build stronger partnerships based on better understanding of national contexts.

- *Complete the internal energy market*

The internal energy market has to be taken to the next level by developing a new, flexible market design. A regional level energy policy should reflect the priorities of the Energy Union Strategy, namely: safe, secure, sustainable, competitive and affordable energy for households and companies. The Baltic Sea Region should aim at preserving and extending the internal market to spur innovation, competitiveness and productivity. In the future, the scope of cooperation is to be expanded in order to include aspects of the Energy Union such as security of supply, energy efficiency, renewable energy and nuclear energy. There is a need for proper infrastructure and harmonised market design if we are to reap the benefits from regional cross-border cooperation. The Baltic Energy Market Interconnection Plan has been recognised as an example of best practice.

- *Extend the Nordic energy dialogue to the Baltic countries.*

The well-established energy dialogue among the Nordic countries should be extended to the Baltic countries. Specifically, it is proposed to extend “The Nordic Energy Technology Perspectives” to include the Baltic countries. It is also proposed to re-launch a Nordic-Baltic (NB8) dialogue at the level of energy ministers as well as to extend the membership of a number of the existing expert groups to the Baltic countries. In addition, the Baltic countries should be involved in the Nordic Energy Research cooperation to facilitate exchange of research and expertise. Within the Nordic Council of Ministers, the Baltic countries should be invited to take part in the on-going initiative “*Green Growth the Nordic Way*”. A multi-level dialogue can be further enhanced by better involvement of academia. There is a need to invest in research and development of future technologies, and there is a lot of potential for regional cooperation in this area.

- *Improve interconnectivity*

As energy systems are ageing, fragmented and dependent on fossil fuels, there is a need for increased integration of energy systems. A well-connected energy market is the only realistic tool to maintain a healthy and competitive energy sector in the future. More integrated energy systems with more interconnections will lower energy prices and provide easier detection of where investments should be made. By being better integrated, we ensure a commercially viable infrastructure and production of the cheapest energy.

- *Diversify energy supply*

The Baltic Sea Region is very vulnerable in terms energy supply. Investments and decisions should be based on a market-driven economy approach and by creating a diversified risk portfolio. Competition in the energy market has to be increased by providing the possibility to impact the energy market. Investments aimed at diversification of energy supply should first be made at the national level before being put on the EU agenda. Diversifying the energy mix is the way to a sustainable future, making countries self-sufficient, less vulnerable and less dependent. Further investments in new European infrastructure are needed to secure less dependency on external energy supply.

- *Engage the private sector*

Cooperation with private business is critical for turning words into action. A private-public approach should prevail in every single initiative to ensure a competitive and demand-driven energy market with long-term investments. The public sector must provide predictability and incentives for business and institutional investors, while the private sector must ensure the required innovation. There is still a lot to be done to make energy projects commercially interesting. As investments are often very long-term,

stable predictable framework conditions and transparency in intergovernmental agreements are key for the private sector.

- *Strengthen the alignment between EU and national policies*

To ensure long-term investments, there is a need for a less fragmented approach, increased synchronization and harmonization of market conditions and frameworks, better integrated infrastructure and the integration of electricity. The EU must act as an initiator, driver and policeman pushing countries forward towards common targets and a respect for commitments. The Baltic Sea Region is still fragmented with conflicting interests. To reach energy, climate and de-carbonisation targets, the region should spearhead a move towards harmonizing national frameworks.

- *Wanted: Good projects with solid profitability and viability*

Good energy projects need financing which cannot be secured if they are not viewed as economically viable in the long-run. Investors are searching for large-scale projects with a diversified portfolio that are based on economies of scale.

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