

Energy Security and Governance Deficits in the CEE and SEE region

Martin Vladimirov

*Enhancing CSOs Advocacy Efforts for Countering Corruption in Critical
Sectors in SEE: Leveraging the EU Accession Process and State of the Art
Research*

29th October, 2015

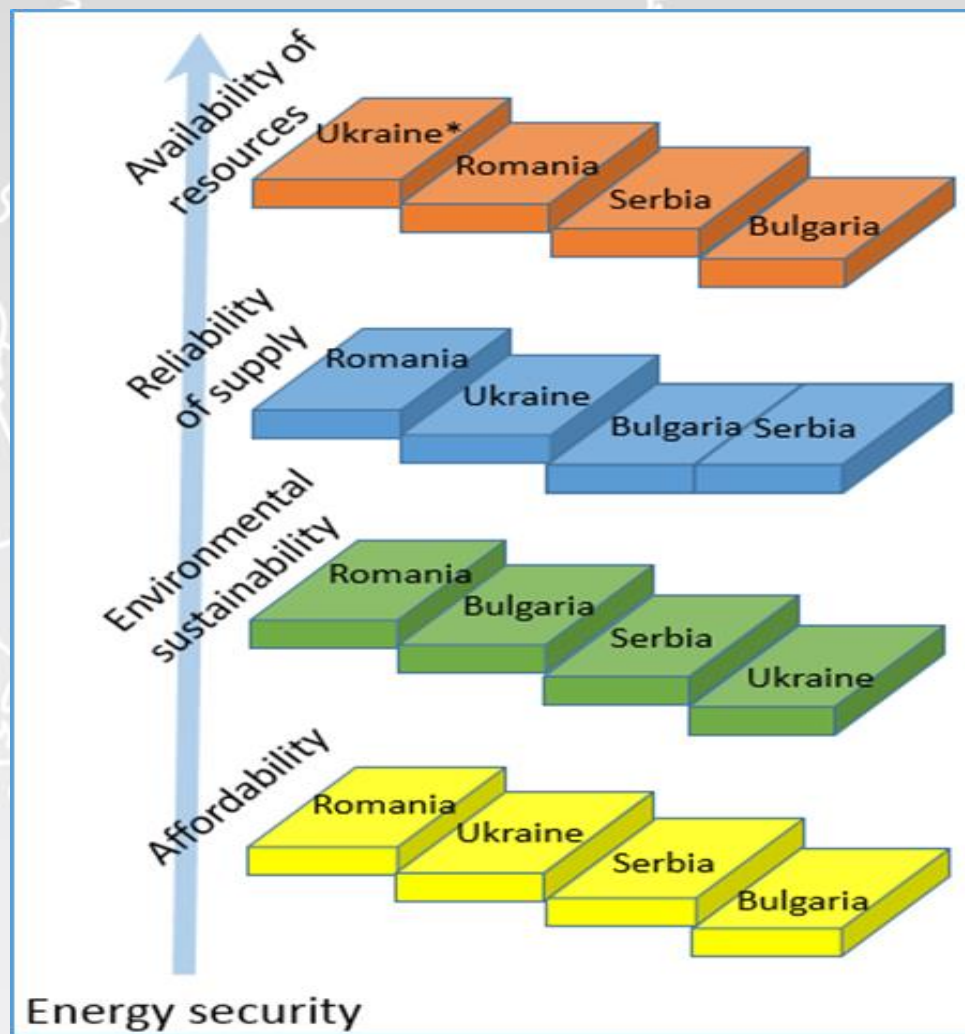




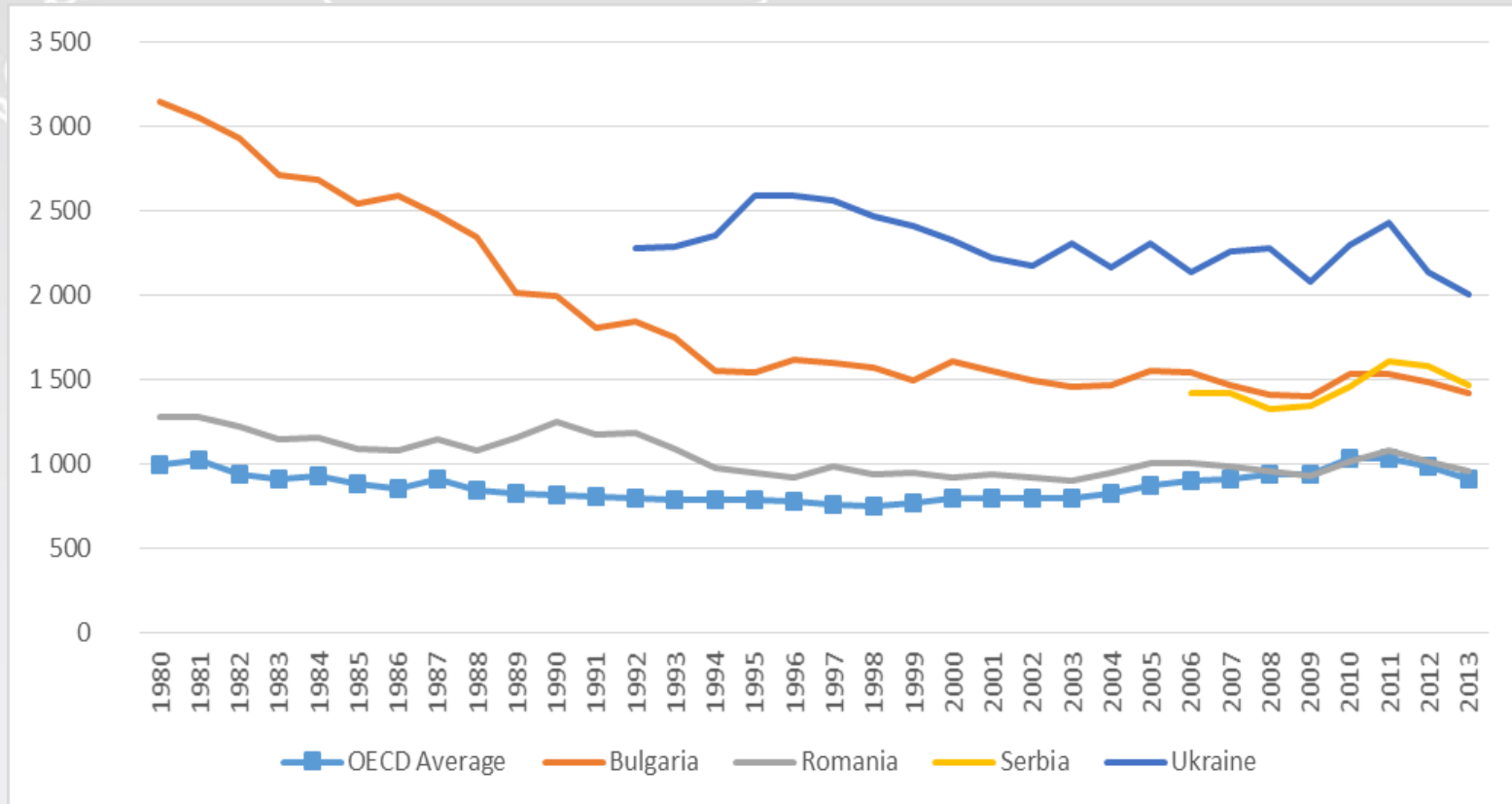
Persistent Energy Security Risks

Key Energy Security Risks

- Large energy expenditure intensity
- Unsustainable energy import dependence
- Low energy efficiency
- Widespread energy poverty
- **Governance Deficits (political bottleneck in tackling energy security risks)**

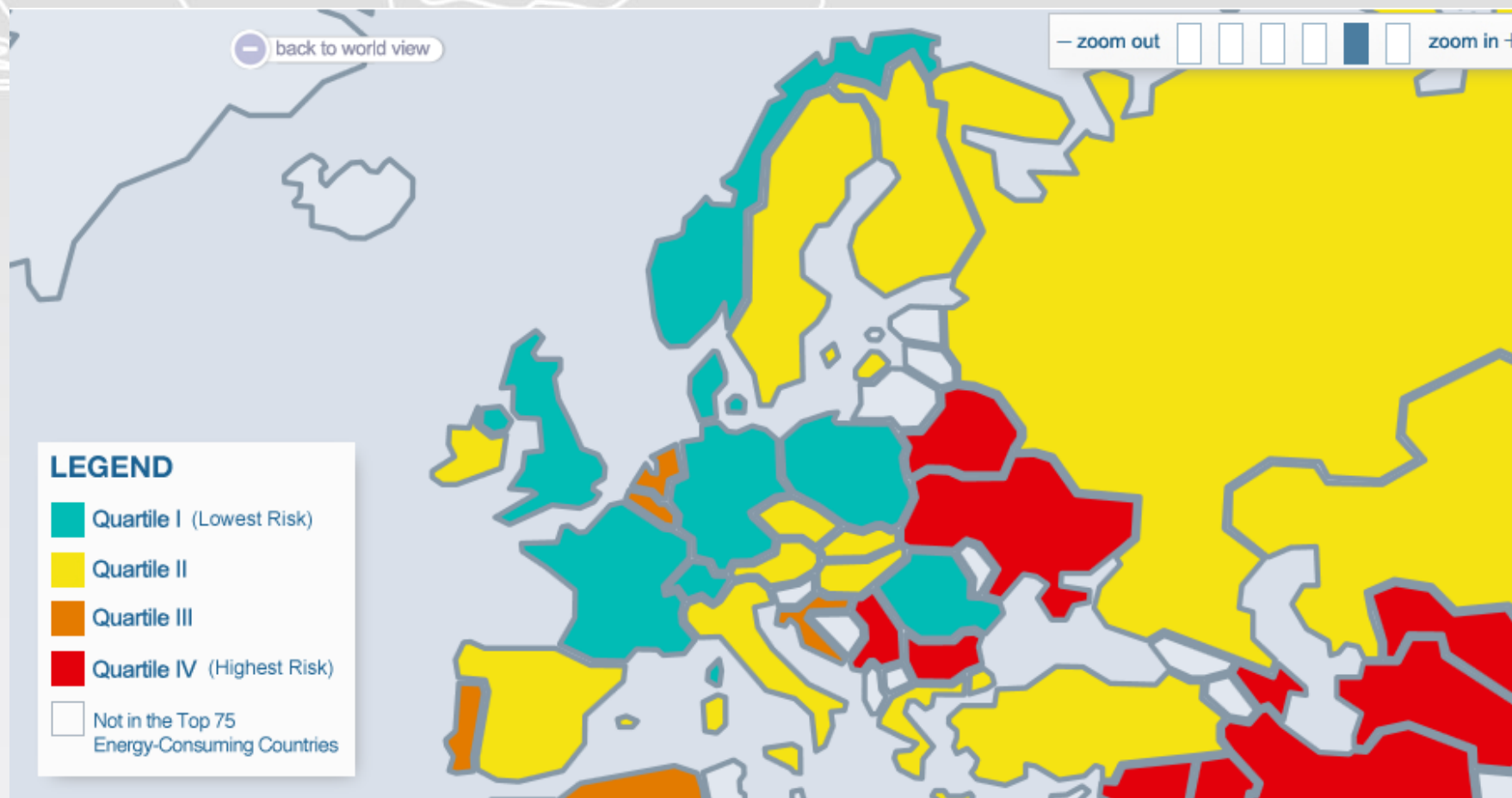


Energy Security Risks Scores 1980-2013

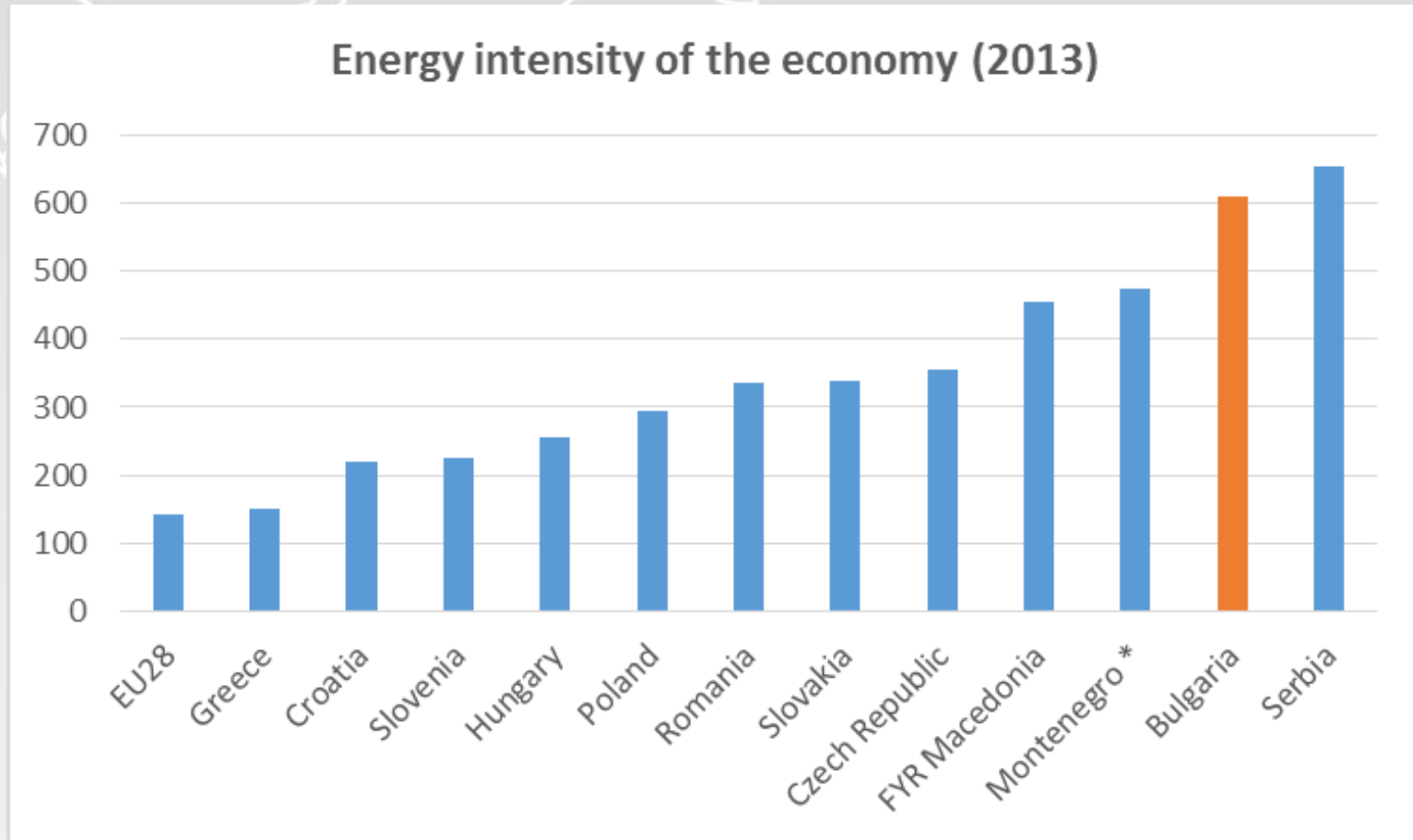


Source: IIESR, CSD

Lack of Energy Security Improvements in the SEE and CEE region

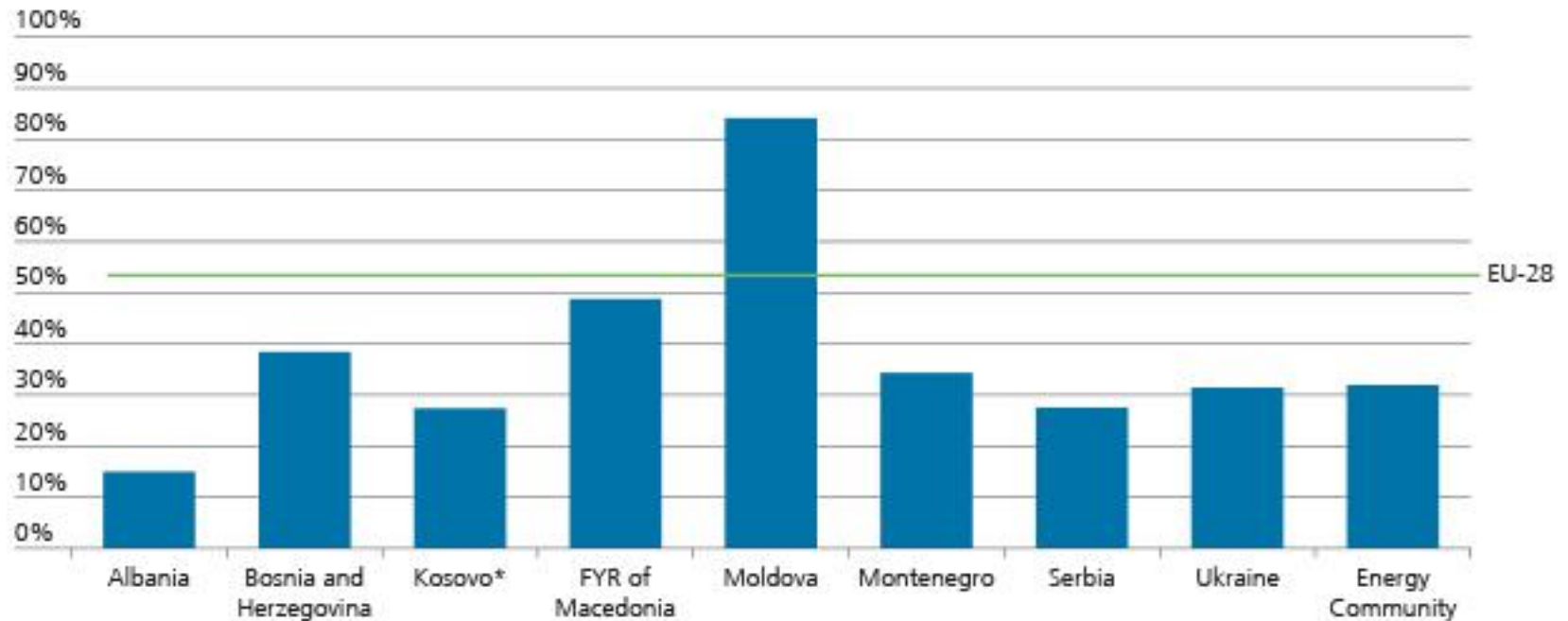


Energy Inefficiency and Competitiveness



Source: Eurostat

Persistent Energy Dependence



Source: CSD

The Dependence/Affordability Nexus

Country	Gas Import Dependency	Share of Russia in gas imports	Share of Russia in gas consumption	Total Gas Consumption (bcm)	Average Gas Price (\$ per 1000 cubic meters)
Slovenia	100%	60.20%	60.20%	0.87	485
Greece	100%	55.60%	55.60%	3.6	476
Slovakia	98.40%	83.50%	82.20%	5.4	429
Czech Republic	98.00%	58.60%	57.50%	8.4	503*
Bulgaria	90.00%	100%	90%	2.6	417
Austria	78.90%	76.10%	60%	8.5	379
Hungary	78.20%	100%	78.20%	8.6	435
Poland	72%	81.30%	58.60%	16.7	403
Romania	24.30%	100%	24.3%	12.5	399
Turkey	99.00%	56%	56.0%	45.6	406
Ukraine	55.00%	100%	55.0%	45	385
Moldova	100.00%	100%	100.0%	3.25	400
Macedonia	100.00%	100%	100.0%	0.16	460
Serbia	82.40%	100%	82.4%	2.91	457
Average	81%	81%	63%	11.13	431

Source: CSD

Key Policy Objectives

- Diversification of energy supply
- Expansion of domestic energy production
- Investment in residential and commercial energy efficiency
- Liberalisation and regional integration



Governance Deficits and State Capture

Research Areas

- Regulatory and legislative framework consistency
- Governance and financial development of energy state-owned enterprises (SOEs)
- Management of large energy infrastructure projects
- Public Procurement

Regulatory Reform

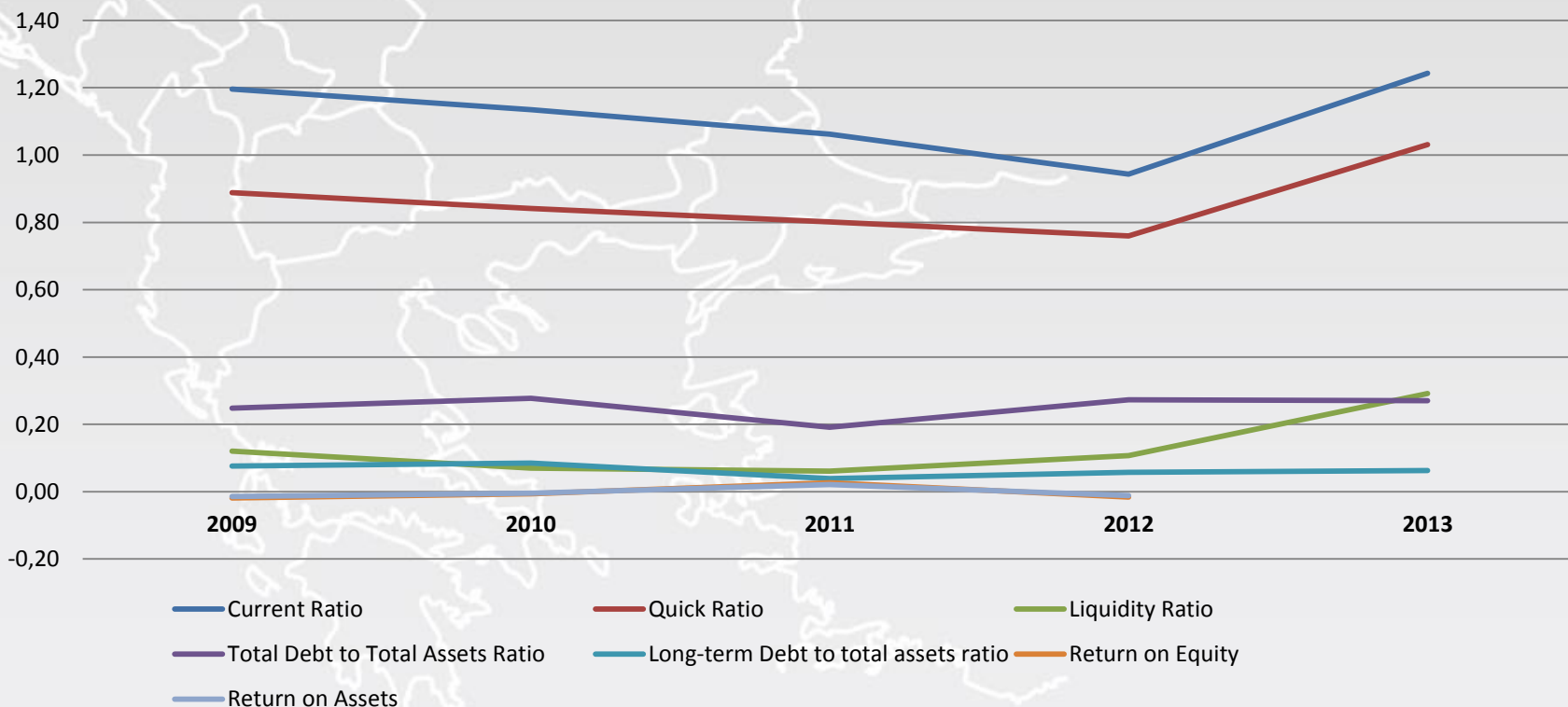
- Energy market liberalization
- Independence of energy and competition regulatory bodies
- Implementation gap in introducing the EU energy acquis
- Case-studies of regulatory capture by energy interest-groups for their own interests

Corporate Governance of SOEs

- Financial Management Capacity
- Corporate governance standards on reporting and human resources
- Operational independence of SOEs
- Accountability for management decisions

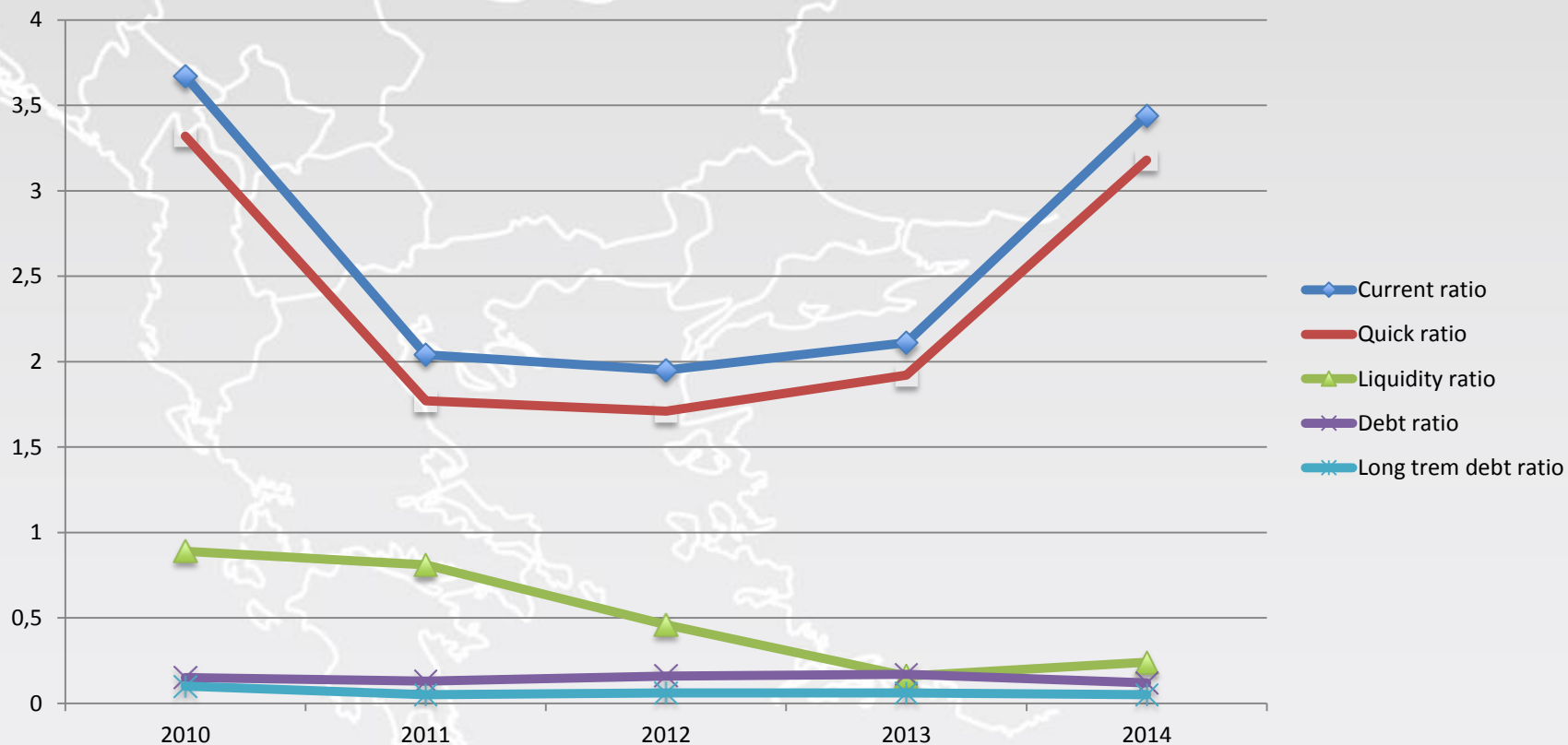
Financial Management of SOEs – the better case

EPS



Source: Annual Reports by EPS

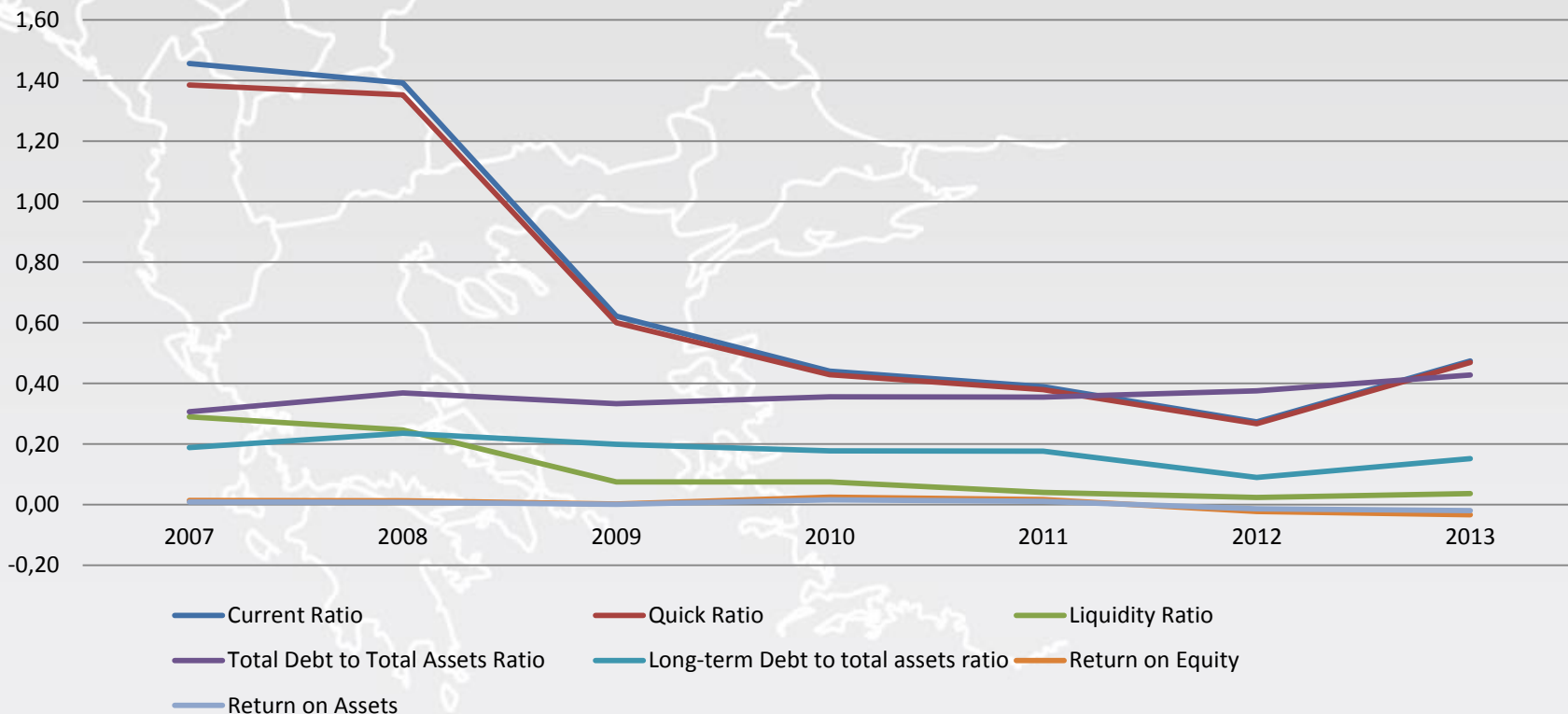
Financial Management of SOEs – the better case (EPCG)



Source: Annual Reports for EPCG

Financial Management of SOEs – the bad case (NEK in Bulgaria)

NEC



Source: Annual Reports for NEK

Red Flags

- Low current, liquidity and quick ratio means payment trouble
- Large debt to assets ratio – high leverage and lack of long-term sustainability
- Negative return on assets and equity means a loss-making company

Governance Deficits of Large Infrastructure Projects

- Conflicts of interests and political brokerage
- Lack of independent technical and economic analysis
- Politically-driven energy projects decisions
- Mismanaged public procurement procedures benefitting a specific interest – Case Studies

Public Procurement Standards

- Compliance with market competition rules
- Exclusive criteria due to national security, technical or financial capacity
- Conflicts of interests and political patronage
- Concentration of public procurement in few companies
- Matching of successful bidders with political parties



Thank You!