

MINUTES
of the 12th Meeting
of Presidents of EURELECTRIC and the CIS Electric Power Council

St. Petersburg, June 20, 2013

Present:

EURELECTRIC

Johannes TEYSSEN, President of EURELECTRIC, CEO E.ON;
Jørgen KILDAHL, Member of the E.ON Board of Management;
Maxim SHIROKOV, CEO E.ON Russia;
Mans HOLMBERG, Head of Environmental Value Trading & Head of Sales Trading,
Fortum; Co-Chair of the EURELECTRIC-CIS EPC Task Force on Cross-Border Electricity Trade.

Electric Power Council of the CIS

Alexander NOVAK, President of Electric Power Council of the Commonwealth of Independent States,
Minister of Energy of the Russian Federation;
Roman MARSHAVIN, assistant to the Minister of Energy of Russia;
Evgeny MISHUK, Chairman of Electric Power Council Executive Committee of the Commonwealth of
Independent States;
Svetlana ZHOLNERCHIK Member of the Board – Deputy Chairman of the Board NP “Market Council”,
Russian Federation;
Vladimir VOLOSSKIY, Director of the External Relations Department, EPC Executive Committee of the
Commonwealth of Independent States.

Objectives of the meeting:

- * To consider the results of cooperation and accomplishment of decisions taken at the previous
11th Meeting of Presidents in Brussels on October 31, 2012
- * To discuss and agree upon further directions of cooperation.

Agenda of the meeting

1. News from CIS EPC and EURELECTRIC (information exchange)
 - 1.1. *Update on the EU power markets*
 - 1.2. *Update on the power market in Russia and other CIS countries*
2. EURELECTRIC – CIS EPC Cooperation: the Joint EURELECTRIC and CIS EPC Task Force on Cross-
border Electricity Trade
3. Identification of Further Areas of EURELECTRIC and CIS EPC Cooperation
 - 3.1. *Exchange of views about the CIS Electric Power Council Proposal for Further Electricity
Cooperation between the European Union and CIS and a Draft List of priorities for further
EURELECTRIC and CIS EPC cooperation*
4. Any other business
5. Date and place of the next Presidents' Meeting

The Parties noted the following:

The present meeting is the 12th regular Meeting of EURELECTRIC and CIS EPC Presidents. The previous 11th presidents meeting took place in Brussels on October 31, 2012.

1. Item 1 of the Agenda: "News from EURELECTRIC and CIS EPC"

The President of Electric Power Council of the CIS Alexander Novak congratulated Mr. Johannes Teyssen on his election on June 2, 2013 as EURELECTRIC President and wished to him successes at this high post.

The President of EURELECTRIC thanked President A. Novak for the congratulation and gave his comments concerning the current situation in the electricity sector of the EU. President Teyssen noted that the objective of the European energy policies is rather ambitious and aims at the completion of an EU power market on the basis of the integration of national markets and the use of clean energy sources. In recent years, the EU member states have heavily relied on the use of American coal and foreign gas and have taken increased steps to ensure the reliability of power supply. As a result the production of electric power has become more and more expensive. This energy policy is thus expensive for citizens and for industry alike and many power stations are compelled to stop operation. The reason of that lies mainly in the inconsistency of energy policies decided upon unilaterally by the EU member-states. In the opinion of the EURELECTRIC President, it is possible, that the EU electricity market moves towards a capacity market, like in Russia, but these models may vary from one EU member- state to another.

The CIS EPC President A. Novak informed President Teyssen on holding the 43-d Session of the CIS Electric Power Council in Kirghiz Republic on May 24, 2013 and on signing by him and the EU Commissioner for energy Günther Oettinger in March 2013 of the Roadmap of the EU-Russia Energy cooperation until 2050. President A. Novak noted that the strategic purpose of the Roadmap is the formation by 2050 of a pan-European energy area with open, transparent, effective and competitive markets and that cooperation with EURELECTRIC and CIS EPC gives by itself a good platform for discussion on the way forward.

The Member of the Board – Deputy Chairman of the Board of NP "Market Council" Svetlana Zholnerchik noted the stability of the existing electricity market in Russia and mentioned plans of the Russian Government to modify the existing market model to make the electricity industry more attractive for investors. It is presumed that one of the principal ways of that modification will be to switch to long-term contracts. At the same time Mrs. S. Zholnerchik expressed firm reliance, that the changes of the market model will be neither fast, nor cardinal.

The Chairman of Electric Power Council Executive Committee of the Commonwealth of Independent States Evgeny MISHUK informed the audience about the process of formation of the Common Electricity Market of the CIS countries (CEM CIS), the stages and phases of its creation and noted that despite of certain successes there are reasons of objective and subjective character interfering formation of the CEM CIS. Mr. Evgeny MISHUK would like to see more momentum in the activities of the working group of Electric Power Council on the Formation of the Common Electricity Market of the CIS, and with activity of the CIS EPC part of the Joint EURELECTRIC and CIS EPC Task Force on cross-border electricity trade.

EURELECTRIC President Johannes Teyssen informed colleagues present at the meeting, that recently he made a number of business visits in the Siberian regions of Russia and noted the efficiency and reliability of the existing electric power system. President Teyssen reminded, that the European companies invested and continue to invest in power sector of Russia and emphasized, that in case of changes in the market model and regulations it would be necessary to keep former conditions for the ongoing contracts. President Teyssen raised also the attention of the meeting participants to the need to improve the investment climate in the power industry of Russia and CIS. It would be necessary to create favorable conditions to attract new investments for the renovation/upgrade of old generation units and also to carry out a review on the internal prices of gas used in power stations.

President of the CIS EPC Alexander Novak confirmed, that the internal prices for gas are the key factor for the successful functioning of the power industry as well as other branches of the economy, and that the Government of Russian Federation, realizing its price policy, aspires to create conditions of equal profitability for all participants in the market. President A. Novak also noted that the Government had been working on the creation of market mechanisms for the modernization of the electricity sector.

2. Item 2 of the Agenda: "EURELECTRIC – CIS EPC Cooperation: the Joint EURELECTRIC and CIS EPC Task Force on Cross-border Electricity Trade"

Co-Chair of the EURELECTRIC-CIS EPC Task Force on Cross-Border Electricity Trade Mans Holmberg thanked the NP "Market Council", for the constructive cooperation in cross-border trade issues, however noted a decrease in the volumes of this trade between EU and Russia during last two years. Mr. Mans Holmberg named two basic reasons constraining cross-border trade: 1) commission rates for the cross-border trade (Fees for cross border trade) and 2) the distinctions in export and import prices on the border (export and import prices on both sides of the border should be identical). Mans Holmberg noted, that the Finnish network company, Fingrid, is ready to consider the move from a system of collecting payment for cross-border trade on its side of border to a system of auctions between the sellers and the buyers. However for this essential change to realize, it is necessary to modify market regulations to create competition in cross-border trade on both sides of the border. The aim of the joint Task Force is to prepare one or several proposals for solution of the given problem. It is supposed, that the proposals will be ready by the end or in the beginning of the next year. It is possible, that their realization will require modification in the legislation and for this purpose the support of Minenergo of Russia would be very welcomed.

President of the CIS EPC A. Novak promised to consider the proposals attentively when they are submitted by the Joint Task Force.

3. Item 3 of the Agenda: "Selection of Further Trends of EURELECTRIC and CIS EPC Cooperation"

On the eve of the 12th Presidents meeting the EURELECTRIC Secretariat sent to the CIS EPC Executive Committee an answer of EURELECTRIC to the Proposals of the CIS Electric Power Council to enhance cooperation between the European Union and the CIS in the sphere of power industry submitted to EURELECTRIC at the end of October, 2012. The EURELECTRIC answer to the CIS EPC Proposal was not considered at the 12th Presidents meeting.

The following issues and directions of cooperation of mutual interest were discussed at the meeting. The CIS EPC President A. Novak informed President Teyssen, that the Government of Russia is conducting at present active negotiations with the European Commission concerning synchronous operation of electric power systems of Russia, Byelorussia, Lithuania, Latvia and Estonia. The reason for this is the active construction of direct current converters on the territories of these countries, which will allow the Baltic States technically to leave the electric power system of Russia by 2016. The CIS EPC President emphasized, that it would be important for the Commonwealth states to have a clear understanding of these prospects for change. If the matter concerns a withdrawal of power systems of Lithuania, Latvia and Estonia from synchronous operation with power systems of Russia and the Republic of Belarus, the countries of the CIS should undertake appropriate safety and compensatory measures on their side. As one of such measures the issue of conclusion of an agreement between Russia and the Baltic states on the preliminary notice - for 10 years - about disconnection from synchronous work with each other is under discussion at present. However the intentions of the European Union related to the desynchronization are in contradiction with the strategic goal of EURELECTRIC and CIS EPC cooperation - preparation of conditions for integration of the electric power systems and electricity markets of the EU and CIS. The CIS EPC President wondered for what reason the European Union intends to spend a huge amount of money (3 billion euros) to go out from the well functioning unified synchronous power system of the CIS countries. In response EURELECTRIC explained, that the European Commission did not involve EURELECTRIC in that issue and that the technical need for the disconnection of the power systems of the Baltic countries from synchronous operation with unified power system of the CIS countries still has to be

proven and seems to be more at present a political issue. In the opinion of the President J. Teysen the cooperation between EURELECTRIC and the CIS EPC is very valuable and EURELECTRIC will do its utmost to promote the development of cross-border electricity trade between the EU and CIS. President J. Teysen promised to tackle this question with the EU Commissioner for energy Günther Oettinger and expressed the hope that the CIS EPC President A. Novak would ensure a continued support to the cooperation of the two associations.

4. Item 4 of the Agenda: "Miscellaneous"

President of EURELECTRIC Johannes Teysen noted the pithiness of discussions taking place in the St.Petersburg International Economic Forum and shared his recent experience with a recent similar event, the International Electricity Summit in San Diego in April, 2013. The President of EURELECTRIC stressed that this Forum was most valuable to him and that he would see it beneficial if representatives from Russia and CIS countries could participate in this international forum of global scale. President J.Teyssen addressed the Electric Power Council of the CIS and Minenergo of Russia with a proposal to invite 2-3 CEOs of CIS countries to the next International Electricity Summit, which will take place in Japan in 2015 and of which EURELECTRIC is an essential partner. The initiative of EURELECTRIC President Johannes Teysen was accepted by the CIS EPC President Alexander Novak.

5. Item 5 of the Agenda: "Date and place of the next Presidents' Meeting"

The Presidents discussed the opportunity of holding another meeting of this kind later in 2013, or in February 2014 on the sidelines of the celebration of the 40 years of gas trade between Russia and Germany, or in St Petersburg in June 2014.

The Parties agreed upon the following:

1. On Item 1 of the Agenda: "News from EURELECTRIC and CIS EPC"

To take note of the information referring to the current situation in the EU and CIS electricity sectors.

2. On Item 2 of the Agenda "EURELECTRIC – CIS EPC Cooperation: the Joint EURELECTRIC and CIS EPC Task Force on Cross-border Electricity Trade"

To take into account the information on the course of performance of the second phase of work of the joint Task Force presented by co-Chair Mans Holmberg.

The CIS EPC Executive Committee will carry out the analysis on formation of the common electricity market of the CIS member-states and joint activity of EURELECTRIC and CIS EPC on development of common principles of cross-border electricity trade and will present proposals to the Presidents on perfection of joint work for further discussion.

3. On Item 3 of the Agenda: "Identification of Further Areas of EURELECTRIC and CIS EPC Cooperation"

The President of EURELECTRIC will in the course of his on-going dialogue with the European Commission find out about the prospects of integration of the EU in particular with respect to the development of the electricity system in the Baltic region and present to the EU Commission the status of and progress in the cooperation between the EPC CIS and EURELECTRIC.

Following on this consultation, EURELECTRIC and the CIS EPC will update one another on this issue at their next meeting.

4. On Item 4 of the Agenda: "Miscellaneous"

EURELECTRIC Secretariat will direct to the CIS EPC Executive Committee information on the forthcoming International Electricity Summit, to be held in Japan in 2015, when those will appear at its disposal.


5. On Item 5 of the Agenda: "Place and Date and of the next Presidents' Meeting"

To hold the next 13th meeting of EURELECTRIC and CIS EPC Presidents at a convenient date and no later than the next St Petersburg International Economic Forum to be held in June 2014.

The exact place, date and time of the meeting will be coordinated by EURELECTRIC Secretariat and the CIS EPC Executive Committee.



Johannes TEYSSEN
President of EURELECTRIC



Alexander NOVAK
President of CIS EPC