

FINAL

INOGATE Technical Secretariat Country Work Plan: Uzbekistan

INOGATE Technical Secretariat and Integrated Programme in support of the
Baku Initiative and the Eastern Partnership energy objectives

Contract No 2011/278827

A project within the INOGATE Programme

Implemented by:

Ramboll Denmark A/S (lead partner)

EIR Global

The British Standards Institution

LDK Consultants S.A.

MVV decon GmbH

ICF International

Statistics Denmark

Energy Institute Hrvoje Požar

Document title	INO GATE Technical Secretariat Country Work Plan Uzbekistan
Document status	Final

	Name	Date
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This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union.

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Abbreviations and acronyms

AA	Association Agreement
AHEF	Ad Hoc Expert Facility
AP	Action Plan
SCS	State Committee of the Republic of Uzbekistan on Statistics
UZ	Uzbekistan
CA	Central Asia
CWP	Country Work Plan
E & G	Electricity and Gas
ECT	Energy Community Treaty
ECU	Eurasian Customs Union
EE	Energy Efficiency
EnC	Energy Community
ENTSO-E	European Network of Transmission System Operators for Electricity
ENTSO-G	European Network of Transmission System Operators for Gas
ESAP	Energy Statistics Action Plan
EU	European Union
INOGATE	Energy Cooperation between the EU, the Littoral States of the Black & Caspian Seas and their Neighbouring Countries
ITS	Inogate Technical Secretariat
JSC	Joint Stock Company
LIE	Local Information Event
NSI	National Statistical Institute
PC	Partner Country
RES	Renewable Energy Sources
RM	Road Map
SE	Sustainable Energy
TA	Technical Assistance
TA - ESS	Technical Assistance – Support to the development of the Energy Statistics System
TSO	Transmission System Operator
WTO	World Trade Organisation

Section 1 Introduction

The overall purpose of the Country Work Plan (CWP) for the project period February 2015 – April 2016 is to define the INOGATE activities to be carried out based on the experience of experts and the explicit requests of the Partner Country. This document outlines the ITS analysis of the needs and priorities of the countries and the proposed ITS strategy and rationale for intervention.

The proposed activities presented here take into account the bilateral and trade agreements of the EC and the PC as well as other EU projects and the activities of other donors in a PC.

This country work plan has been drafted by ITS in consultation with the Partner Country and the European Commission.

INOGATE is an EU regional cooperation instrument, that is based on inter and intra-regional cooperation of Partner Countries and capacity building, focusing on the following areas:

- Technical and regulatory advice on energy security, energy markets efficiency and development;
- Implementation of energy efficiency and renewable energy policies;
- Energy and economic planning through the use of improved energy statistics;
- Facilitating energy efficiency and renewable energy investments.

The ITS provides short or medium-term technical assistance in these areas at regional and country level.

Section 2 Energy policy of Uzbekistan

Natural gas is the main source of energy for production of electric energy, with coal playing a secondary role. The future growth of the Uzbek economy is dependent on growing amounts of electricity being made available.

The government's main energy policy directions, based on analysis by ITS experts, are:

The energy sector is state-owned. The Government is in the process of redefining its role and reforming the sector. Reforms have been introduced primarily in the power sector (production, transmission and distribution of electricity) and the district heating sector (heat and hot water).

The reforms include institutional changes such as restructuring of organizations and their mandates, and introduction of new tools of audits, metering, accounting, payment, supervision and control. The reforms also include corporatization of the power sector, and partial privatization of a selection within the newly created enterprises. The reforms are supported by investment programmes.

- The main recent documents of the policy and regulatory framework of Uzbekistan, identified by ITS experts, are:
- The Cabinet of Ministers Regulation of 22 August 2009 on Adoption of Rules for Use of Electricity and Heat Energy;
- The Strategy for the Electricity Sector, aiming at creating an independent and self-sustained industry;
- The Presidential Decree of 8 August 2006 defining the functional responsibilities of Uztransgas;
- The Cabinet of Ministers Regulation of 10 January 2000 adopting the rules of natural gas supply to domestic consumers and other documents.

Ongoing energy sector reforms include:

- Sequential implementation of deregulation and de-monopolisation of the energy sector, including the establishment of competition in electricity distribution and the provision of third party access to power transmission lines;
- Phased transformation of the large energy sector enterprises (such as thermal power plants, combined heat and power plants, power grid enterprises, etc.) into joint stock companies;
- Accelerated deregulation and privatisation of social infrastructure, enterprises and agencies involved in design works, building and installation, and maintenance. Establishment, on their basis, of non-governmental forms of property including private enterprises;
- Attracting foreign investments in privatisation, reconstruction, modernisation, and further development of power generating facilities and power grids;
- Introduction of market principles and mechanisms in the management systems and economic relations related to power generation, transportation and sales.

Relations with the European Union (EU):

- A Memorandum of Understanding on cooperation in the field of energy between the European Union and Uzbekistan was signed in 2011;
- Bilateral cooperation with Uzbekistan is outlined in its Partnership and Co-operation Agreement with the EU, which includes energy cooperation.

The priorities for the cooperation between Uzbekistan and INOGATE for the period 2015-2016 reflect the national priorities stipulated in the above strategic documents and are shown in Table 1¹.

Table 1: Priorities of the Uzbekistan-ITS cooperation for 2015-2016

Priorities
Tariff reform
Improved efficiency of the gas infrastructure
Energy data collection
Energy balances
Monthly statistics
Energy indicators

Section 3 Achievements of the Uzbekistan-ITS cooperation

Representatives from Uzbekistan have participated in the regional seminars and study tours, listed in Annex 1, as well as in national INOGATE activities, listed in Table 2. In addition to completed activities, Table 2 also contains ongoing activities, to which the INOGATE project is already committed.

¹ To the best knowledge of the ITS Project there are no overlaps with other donors.

Table 2: Completed and ongoing activities of the Uzbekistan-ITS cooperation in 2011-2014

Implemented/ongoing Activities	Results	Impacts	Areas
ELECTRICITY AND GAS			
Assistance on adoption of 12 interstate gas standards (identical European gas standards) in Uzbekistan's national standardization system.	Adoption of 12 interstate gas standards (identical to European gas standards) in Uzbekistan's national standardization system.	National gas standards are harmonised with European gas standards. Reduction of existing technical barriers for trade with EU.	Harmonization of Electricity and Gas Standards and codes
Assistance in transfer to Uzbekistan of 100 international and European oil and gas standards.	European oil and gas standards have been transferred.	Uzbek standards on oil and gas are harmonised with European standards.	Harmonization of Electricity and Gas Standards and codes.
Technical Assistance for the supply and use of gas pressure regulators for the Gas Distribution Network (AHEF.100.UZ, completed)	Process of installation of gas pressure regulators and relevant procedures and specifications understood and the relevant strategy is set by the Uzbekneftegas.	Reduction of non-technical gas losses in the distribution network of Uzbekistan.	Efficiency of Electricity and Gas Infrastructure.
Study and analysis of the existing electricity market models in Europe and INOGATE Partner Countries (AHEF.117.UZ, ongoing, combined with AHEF.089.KZ, AHEF.107, 108 KZ)	Existing electricity markets in EU described and analysed. Barriers to trade in Cross-border trade in Central Asia are analysed.	Increased trade in electricity in Central Asian region.	Cross-border trade.
ENERGY STATISTICS			
Developing an Energy Statistics Action Plan (ESAP 2012 - 2014).	ESAP drafted.	Improved data collection and analysis.	Improved energy statistics system.

Section 4 Work Plan for Uzbekistan-ITS cooperation

As an overall strategic approach ITS intends to support the national policy, programmes and priorities set out in section 2 (see above) as well as the priorities identified during the consultations with the stakeholders throughout the project implementation. Due attention is also paid to ongoing technical assistance.

Emphasis will be given to those areas of intervention which are in line with the scope of work of the ITS project and those that bring tangible impact and results and have no duplication with other EU programmes and bilateral donors and are in line with the new INOGATE strategy.

The top priority planned national activities for the extension period Jan 2015-Jan 2016 are listed in Table 3, and secondary activities are listed in Table 4.

Table 3: Top priority planned activities for the Uzbekistan-ITS cooperation in 2015-2016

For budget reasons all planned activities for Uzbekistan has been placed under Priority 2.

Reference numbers	Activities	Expected results	Expected impact	Areas
	ELECTRICITY AND GAS			

Table 4: Secondary priority planned activities for the Uzbekistan-ITS cooperation in 2015-2016

Reference numbers	Activities	Expected results	Expected impact	Areas
	ELECTRICITY AND GAS			
AHEF.101.UZ, ToR being drafted	Conducting trainings aiming at demonstration of a modern system allowing an optimal compilation of gas balance (daily, monthly) for high, medium and low gas pressure networks using best international practice.	Proposed methods for data collecting and management for gas Supply and Demand on daily, weekly and monthly periods.	Increase the reliability of gas supply allow Uzbekneftegaz choose the appropriate provider of software to support the process. Estimation of Annual reduction of gas consumption for internal needs	Efficiency of Electricity and Gas Infrastructure.
AHEF.102.UZ, Request for approval submitted to the EC in Jan 2015.	Determination of volumes of flared gas (or Associated Petroleum Gas) and its utilization in the Republic of Uzbekistan	Optimal methods and technologies of flared gas utilisation are assessed and proposed	Reduced volumes of flared gas. Benefits to economy through increased gas export. Environmental benefits in reducing gas flaring.	Efficiency of Electricity and Gas Infrastructure
CWP.02.UZ	Establishing a basis for cost reflective tariffs in electricity distribution.	A report and a workshop on cost reflective tariffs.	Moving towards cost reflective tariff methodology.	Development of electricity & Gas tariff methodologies
CWP.04.UZ Follow up on AHEF.100.UZ	Organization of a seminar (including study tour) on: a) EU best practice on Two-tier system of gas supply, modernisation of distribution system and reliability of gas supply. b) Training for	Efficient and cost reflective system of gas supply and maintenance is in place.	Increased safety and reliability of gas supply. Reduction of gas losses in distribution sector.	Efficiency of Electricity and Gas Infrastructure

Reference numbers	Activities	Expected results	Expected impact	Areas
	<p>metrology specialists working with gas metering systems</p> <p>c) Training for maintenance specialists based on EU experience of exploitation and preventive maintenance of gas pipelines.</p>			
NEW	Development of technical and commercial connection procedures of the producers and consumers of electricity to the grid.	<p>A report with recommendations on the improvement of the connection procedures of the producers and consumers of electricity to the grid.</p> <p>Recommendations for a connection charging methodology.</p>	Increase in investment in new generation capacities.	Regulatory Issues/Market rules