

# Electrifying Integration: Electricity Production and the South-East Europe Regional Energy Market

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In 2005 the countries of South East Europe entered a legally binding agreement to form a regional electricity and gas market, the Energy Community of South East Europe (ECSEE). The electricity systems of countries in the region are in urgent need of significant investment in generation and transmission capacity if they are to avoid a serious supply gap in the coming years. In this paper we provide an overview of electricity generation in the region. We point to diversity in resource endowments and the ability to meet demand from domestic generation, a diversity that may form the basis for the development of trade on a regional basis and potentially reduce the magnitude of required investment in generation facilities. We discuss the situation in ECSEE in the context of the existing of regional markets in the EU, the Nordic market and the France-Netherlands-Belgium tri-lateral coupling. Finally we consider the impact of electricity generation on the environment, and suggest that there are significant trade-offs between the different objectives of EU energy policy .

The lack of progress towards the EC objective of creating a single market for electricity within the EU has been recognised for some time. The active promotion by the EU of this regional energy market may be seen as recognition of the lack of progress and of the willingness of the EU to adapt policy in order to achieve its objective of integrating electricity markets.

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