



USAID and USEA on Front Lines of Energy Diplomacy in Europe

Why Are We There?

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Today's energy markets in Europe and the Eurasia region do not adequately stimulate competition or the investment in production, transmission and distribution necessary for secure, reliable, low-cost energy. Further, they fail to provide transportation services that will improve resilience and accelerate cross-border trade.

Since the fall of the Soviet Union, the United States Energy Association, USEA, in cooperation with the United States Agency for International Development, USAID, has worked in this region – including Albania, Armenia, Bosnia-Herzegovina, Bulgaria, Croatia, Georgia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia, and Ukraine – to catalyze positive energy sector reform through the Energy Technology and Governance Program.

This is the first in a series of articles that will describe the Program, ETAG, its work in the region, and its tangible benefits to the United States.

The Program supports the following objectives in the region. It strengthens

energy security by supporting deep and liquid, cross-border wholesale electricity and natural gas trade. It promotes competition and encourages diversity of energy resources, while ensuring network reliability. And it encourages

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market and regulatory reforms to incentivize private sector investment and the introduction of new technologies.

It also supports economic development by lowering overall energy costs, secures utility networks against cyber-attacks and makes them more resilient, introduces American technologies and investment to the region, and expands the Euro-Atlantic Alliance and American influence.

The Program furthers these objectives through sustainable working

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groups focused in the following areas:

Optimizing Interconnections.

Though some countries in the region hold the potential to develop energy surpluses, their gas and electricity transmission networks are only loosely connected, and thus unable to trade effectively, leading to supply deficits in parts of the region. This in turn leads to bottlenecks in trade, and delays in the formation of energy sector capital.

Market Formation. The emerging wholesale electricity and natural gas markets in the region are balkanized and lack the critical mass of load to support competition and attract the private capital needed to build out and replace outdated infrastructure.

Further, these nations wish to rapidly expand their use of clean energy, and form cross-border regional day-ahead and real-time markets. To do so, they will need to harmonize market platforms, agree on how to allocate cross-border transmission capacity, and establish common trading rules.

Fortifying Cyber Defense. The utilities in the region are challenged

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by increasingly virulent cyberattacks threatening the security of natural gas and electric power supplies. The region requires new cybersecurity utility governance structures, an information-sharing clearinghouse and rapid-response mechanisms to share intelligence, assess threats, respond to attacks and restore service.

Improving Distribution Services. Characterized by ageing and outdated system architecture, the distribution networks in the region suffer from frequent outages caused by weather and equipment failures. As such, the last mile of distribution network services is a principal challenge to energy security.

So why are we there?

It is in our strong interest to do so, since supporting energy sector reform in the region benefits

the United States in three ways:

We create opportunities for American energy project development and investment, equipment and construction sales, the use of our engineering, financing and consulting services, and the sale of liquefied natural gas.

Through improved energy security, reliability and diversification of regional energy supplies, we lower their energy costs, which supports growth and advances their economic ties with the United States.

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USAID and USEA administer several sustainable working groups

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in Europe and Eurasia to encourage regional approaches to electric and natural gas transmission planning, developing wholesale electricity and natural gas markets, strengthening electricity distribution reliability, and securing utility networks from cyberattacks.

The map in Figure 1 shows a

number of key energy facilities and the diverse area in which the Program has been working for nearly three decades.

USAID and USEA seek volunteers from the U.S. energy industry to share their best practices by participating in the Program's working

group seminars and in network studies and market modeling analyses.

Since volunteers provide invaluable contribution of their time and insights, we fund the costs of travel, lodging, insurance, meals and other expenses associated with their participation. Please contact us if helping to improve energy systems overseas appeals to your firm and watch for our upcoming articles in *Public Utilities Fortnightly* on specific ETAG programs. **PUF**