

MEMORANDUM OF UNDERSTANDING

on Social Issues in the context of the Energy Community

The Republic of Albania, Bosnia and Herzegovina, the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Montenegro, the Republic of Serbia, the United Nations Interim Administration Mission in Kosovo pursuant to the United Nations Security Council Resolution 1244, and the European Community,

Having regard and building upon the Athens memoranda of 2002 and 2003 on regional energy markets in South East Europe and their integration into the European Community's internal energy market ('the Athens process');

Having regard to the Treaty establishing the Energy Community ('The Energy Community'), signed on 25th October 2005 which consolidates the 'Athens process';

Having regard to the establishment within the EU of the internal energy market, on the basis of the internal market Directives 2003/54 EC¹ and 2003/55 EC²;

Having regard to the social dimension of the European Community's internal market;

Having regard to the principles, which are set out in the stabilisation and association process, of co-operation between the EU and the countries of the region, and of the necessity for co-operation between countries of the region;

Having regard to the fundamental social rights as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms, the European Social Charter, the Community Charter of the Fundamental Social

¹ DIRECTIVE 2003/54/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC

²Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC

Rights of Workers as well as social rights set out in the proclaimed EU Charter of fundamental Rights;

Having regard to the core labour standards, as defined by the International Labour Organisation Declaration on Fundamental Principles and Rights at work adopted in 1998³, the promotion of which is an integral part of the Community's promotion of decent work;

Recognising the need to build a social dimension in the Energy Community, including equal treatment of men and women, with a view to promoting economic and social progress, improved standards of living, well being at work and improved working conditions in South East Europe, including equal treatment of men and women;

Recognising the need to help enterprises and workers to anticipate, adapt and positively manage socio-economic changes which may arise from the implementation of the Treaty establishing the Energy Community;

Recognising the importance and the contribution of social dialogue at all levels in order to anticipate and manage the social consequences that derive from the implementation of the Treaty establishing the Energy Community;

Recognising the need to provide high quality, accessible and affordable services meeting the needs of citizens and enterprises and to promote the interests of the consumers; taking into account the specific situation in each Party, as there is a need for cost reflective tariffs;

Recognising the importance of strengthened co-operation in flanking and horizontal policies relevant to the implementation of the Treaty establishing the Energy Community;

Recognising the need to assure a broad public acceptance of the Energy Community and to involve the relevant civil society stakeholders, including consumers, trade unions and employers, in its implementation and monitoring;

Recognising the major contribution of the members of the Donors' coordination group⁴ in creating the conditions that permit the objectives of this Memorandum to be achieved;

³ ILO Declaration on Fundamental Principles and Rights at Work adopted at 86th Session, Geneva, June 1998

⁴ As established at the Istanbul Conference of the Stability Pact in September 2004

Resolve to devote their best endeavour to achieve the following:

1. SCOPE OF THE MEMORANDUM

This Memorandum signifies the political intent of the Signatories to take due account of the social dimension within the context of the Energy Community Treaty.

The Signatories note that economic development and social progress are mutually supportive and should go hand in hand. It is understood that a successful reform of the energy market will increase market efficiency and will contribute to the improvement of living and working conditions of the people. The Signatories recognize the necessity to monitor the working conditions and the social and employment impact of the implementation of the Treaty establishing the Energy Community. In parallel, the Signatories recognize the need that major social consequences of the implementation of this Treaty are also to be faced.

This Memorandum recognizes the importance of the social dimension and indicates the principles and the context for a social dialogue in the energy sector at both national and regional levels. The Signatories will facilitate and promote effective social dialogue in the energy sector.

2. PUBLIC SERVICE OBLIGATIONS

The Signatories will endeavour to develop the highest possible levels of social protection for consumers compatible with a sustainable and competitive market and, when necessary to implement safeguards that limit the impact of social and economic change on specific sections of society consistent with the obligations of the Treaty establishing the Energy Community.

As required by the Treaty establishing the Energy Community, each Signatory will implement Article 3 of Directive 2003/54 EC and Article 3 of Directive 2003/55 EC with due regard to safeguarding primarily the interests of the most vulnerable customers. In so doing, the Signatories will endeavour to ensure economic, social and territorial cohesion, universal access, and a high level of consumer rights comparable to that which is afforded in Member States of the European Union.

The European Commission is invited to develop strategies to deal with the wider social dimension covering the issues of affordability, energy poverty, district heating reform, rural distribution, isolated systems and societal impacts of reforms.

3. SOCIAL PARTNERS

The Signatories note that addressing the likely social impacts of the Energy Community requires effective governance of the process encompassing the involvement and participation of the various actors, in particular of the social partners at national level. Therefore, they recognise the need to involve the social partners at all appropriate level by promoting the social dialogue in relation to the monitoring of the implementation of the Energy Community and its effects. This refers in particular, but not only, to market opening, increased competition and restructuring. Thus, each Signatory should introduce effective mechanisms for information and consultation of the social partners on any of these issues.

4. MANAGEMENT OF CHANGE

The Signatories note that the Energy Community and the process of opening-up of the electricity and gas energy markets offer new economic and employment opportunities. However at the same time, it may lead to restructuring and changes for the enterprises and employees concerned, which would primarily affect low-skilled and vulnerable groups of workers or geographically concentrated areas.

In order to address short-term transition challenges, particular attention will be given to anticipating and managing the social consequences that arise from the implementation of the Treaty establishing the Energy Community.

Thus, the Signatories should aim at improving the adaptability of workers - particularly those who are low-skilled, and/or older workers, supporting investment in human capital and life-long learning geared to local needs, fostering mobility, promoting the development of specific employment, training and support services.

5. SOCIAL DIMENSION

Based on the principle of dialogue with the social partners and the existing provisions of the European Union, the Signatories consider the importance of focusing their attention within the scope of this Memorandum on the following key areas:

- Workers' fundamental rights according to European Convention for the Protection of Human Rights and Fundamental Freedoms, the

European Social Charter, the Community Charter of the Fundamental Social Rights of Workers and the EU Charter of fundamental Rights;

- Labour laws – in relation to the promotion of improved working conditions and standards of living;
- Health and safety at work – in relation to improvements in the working environment concerning the health and safety of workers in the energy sector;
- Equal opportunities – with a focus on the introduction, where necessary, of the principle that men and women ought to receive equal pay for equal work;

6. KEY ACTIVITIES

In order to help to achieve objectives within the scope of this Memorandum, each Signatory in consultation with the relevant social partners should discuss the approach how to further address the issues within the social dimension. This approach should take into account the existing European social "acquis communautaire".

The findings and the appropriate follow-up should be summarized in the form of social action plans to address the issues indicated in the previous sections of this Memorandum. The social plans should be drawn up with close cooperation of social partners.

7. FINANCIAL SUPPORT

The Signatories should aim at optimal usage of any resources available to them and any relevant Community funds for funding objectives of this memorandum, namely funding for the economic and social consequences of restructuring, where the requirements for such a use are met.

The Signatories invite the financial support of the European Commission and of the Donors' Community for activities within the scope of this Memorandum.

8. THE ROLE OF THE EUROPEAN COMMISSION

As Chairman of the Donors' group committed to bringing about reform in the energy sector, the European Commission will endeavour to secure from amongst the donors technical and financial assistance for the operation of this Memorandum.

9. THE SOCIAL FORUM

The Signatories agree to assess the need for a Social Forum for the consideration of the social impacts of energy market reform and, if positively assessed, to achieve this without delay. The assessment should be done in the form of a report to the Ministerial of the Energy Community as soon as possible, and the European Commission is requested to assist in this regard.

Done in Vienna, on the eighteenth day of October of the year two thousand and seven.

For the Republic of Albania

For Bosnia and Herzegovina

For the Republic of Croatia

For the former Yugoslav Republic of Macedonia

For the Republic of Montenegro

For the Republic of Serbia

For the United Nations Interim Administration Mission in Kosovo pursuant to the United Nations Security Council Resolution 1244

For the European Community