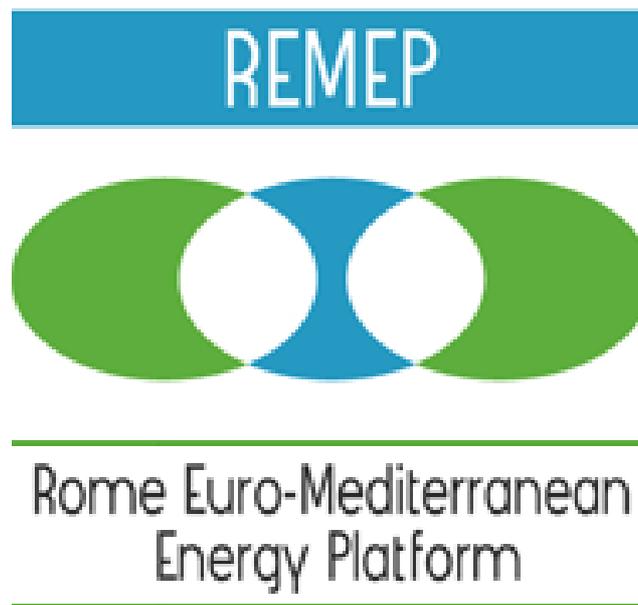




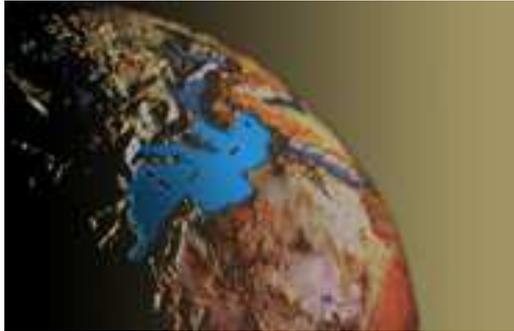
Title

“The MED – REG REMEP Mechanism”



By Sismanidou Anastasia (16/09)

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1. Introduction

Energy is a key sector in the partnership for both the EU Member States and the Mediterranean partners and an essential component of the planned creation of a Euro-Mediterranean free trade area by 2010 (main objective of the Barcelona Declaration) . Ensuring energy security, environmental sustainability and economic development is the threefold objective pursued in the Euro-Mediterranean Energy Partnership. The importance of energy issues will only grow in the foreseeable future.

Energy cooperation in the region could play a central role in achieving the development goals pursued by the Euro Mediterranean partnership. In this regard, it is of paramount importance to ensure that such cooperation be conducted on the base of the consumer and supplier countries shared interests.

Reciprocal commitments from the southern countries, to guaranty energy supply and the northern countries, to insure permanent and stable demand, are of a great help in paving the way to the gradual establishment of an **integrated energy market**.

Further more, it is essential for partners in the region, to **develop joint infrastructure projects** mainly in the fields of gas and electricity and to extend the political support to the ongoing important projects that are able to foster the energy integrated market.

At the Ministerial meetings held in Athens and in Rome in May and December 2003 participating countries approved the guiding principals for a **Euro-Mediterranean energy policy**¹ aiming at the progressive establishment of integrated markets for electricity and gas.

The Euro-Mediterranean Energy Forum at the level of Directors General met in Brussels in September 2006 took note of the progress achieved during the period 2003-2006 and forwarded recommendations.

In its recommendations the Forum **stressed the necessity for:**

-Further energy policy convergence

-The development of energy infrastructures of common interest to complete the electricity and gas links in the Euro-Mediterranean area,

¹ [Paris Summit for the Mediterranean](#)      in July, with the new network of relations endorsed at the [Marseille Meeting of the Euro-Mediterranean Ministers of Foreign Affairs](#)     

- The development of energy projects promoting energy efficiency measures*
- Further development of renewable energy sources through research and development of new technologies and their transfer.*

A Euro-Mediterranean Energy Community could **better serve objectives of paramount importance** to the Euro-Mediterranean Energy Partnership such as:

- *Differentiation of energy sources and transport routes.*
- *Upgrading Mediterranean partner countries position as suppliers or transit countries for energy.*
- *Establishment of a unique regulatory framework and free market conditions in the electricity and natural gas markets*
- *Promotion of energy saving policies and intensified use of renewable energy sources*
- *Environment protection with respect to energy related activities*
- *Speeding up the construction of common interest infrastructure projects.*
- *Attraction of public and private investment funds*
- *Development of energy projects promoting new and alternative fuels based on renewable resources for road transport*
- *Promotion of joint demonstration projects for renewable energy exploitation*
- *Promotion of joint research and development for distributed cogeneration technologies as well as for hydrogen energy technologies.*

2. Acknowledgments

The purpose of this essay is straightforward but modest: to help gathering the otherwise dispersed information on Euro-Mediterranean projects. High-calibre data on projects in the region is available from a number of institutions: the Mediterranean Energy Observatory (Observatoire Méditerranéen de l'Énergie - OME) in the field of energy and its German counterpart for the Mediterranean Solar Plan.

My plan is rather to facilitate, in line with the role of promoting crossfertilization between the actions and knowledge of public administrations, industrial operators, investors and expertise centres from both sides of the Mediterranean.

This document begins with a brief overview of the region's investment and development statistics.

It then lists some of the main region-wide projects in areas of potential interest to investors, such as transport, energy, water and sanitation. For other sectors (telecoms, tourism, agriculture, etc.), our analysis is limited to figures concerning the market outlook and business opportunities. This document makes extensive use of cartographic tools to illustrate shortcomings in terms of economic integration in the region, and investment opportunities that address those shortcomings.

This work could not have been achieved without the valuable input of economic research institutions specialising in the Mediterranean region, and in particular the OME and Anima. I also relied on data provided by Plan Bleu to promote a better understanding of the challenges and potential of the Mediterranean region.

The following geographical references are made in this text:

- The Mediterranean partner countries of the Euro-Mediterranean process, from Morocco to Turkey, are referred to as the “Southern Mediterranean countries” (in a wide sense including Near East), or the SEMCs (“South and East Mediterranean Countries”); these countries are in focus . Since its EU accession was first evoked, Turkey has had a special status. However, for statistical analysis purposes this document treats Turkey as any of the other Mediterranean partner countries.
- Some of the available data refer to the “Middle East and North Africa” (MENA), and this is the geographical term generally used by international organisations such as the World Bank, etc.
- The Plan Bleu and the Observatoire Méditerranéen de l’Energie work with the countries of the Southern Mediterranean and the “Northern Mediterranean countries” that have a Mediterranean coastline (including Portugal). The OME data used as sources in this document therefore have the aforementioned geographical scope.
- The “**Euro-Mediterranean region**” includes Europe and the countries lying along the Southern coastline of the Mediterranean.

2. 1 Investment and development in the Mediterranean, an overview

2.1.a The “projects” approach

When it comes to data on projects in the Euromediterranean region, trouble come rapidly: there is no unified source of information. The work has to be made, and

information is to be asked at the European commission, the EIB, AFD, KfW etc., but also at operators and at national administrations that run projects.

Moreover, the announced amounts are not always reliable. Given the uncertainty about the energy price in the coming decade, nobody can be sure that the €80 bn Mediterranean Solar Plan will be entirely financed. When it comes to national prospects, for example that of Libya, nobody can assess that the ambitious public investment programme will be completed.

The present paper is a very beginning of such a necessary task of gathering information on main euromediterranean projects. What is sure is that the region has been experiencing a rising number of foreign and national investments these last years, and that the launch of the **Union for the Mediterranean** has boosted regional projects.

2.1.b The “financial needs” approach

Another approach is that of needs. What is sure is that the prospects are very positive, because in the coming decade the Southern Mediterranean countries could experience an annual demographic growth of 1,5% and an GDP growth of 4 to 6% (maybe 3% in 2009-2010). In the last decade, South Mediterranean has been largely surpassed by China and India, but neither by Latin American nor by Western, Central and Oriental European Countries.

But in the turmoil of the actual world financial crisis, assessment about growth becomes unclear. In that context, can financial needs to meet the rising demand of South Mediterranean be estimated? Not easily.

- The *European Investment Bank* forecasts that in the coming decades, the need to finance energy, facilities and urban services of the South Mediterranean countries should be approximately \$250 bn:

- o 100 billion for energy
- o 110 for urban facilities such as water, sanitation, waste, local transports, education, health, due to the booming number of new city dwellers
- o 20 for national and international transports (ports, airports, motorways...).
- o And it should be added the financial need of Southern Mediterranean SMEs, in order to help them create the millions of jobs that these countries need.

- The *Observatoire Méditerranéen de l'Énergie* estimates that this “energy \$100 bn” figure is under evaluated.
- The *Plan Bleu* estimates that the cost of the adaptation of the South Mediterranean to the climate change, could reach \$40 bn (approximately the GDP of Tunisia!) in the two coming decades. This represents in the same time a tremendous stake and a major opportunity for business.

3. Projects of the Green Energy Market and the role and aim of MEDREG

Southern Mediterranean and Gulf regions have an important renewable energy potential, in particular for solar and wind energy sources, which could contribute to enhancing energy security of both the countries in the region and the EU through future potential exports of ‘green electricity’.

The major objective of the cooperation between the EU and the Mediterranean and Gulf countries in the field of renewable energy is to contribute to sustainable energy and climate mitigation. Furthermore, possibilities exist to create an integrated and interconnected 'Green Energy Market'. Closer cooperation between the EU and the Mediterranean and Gulf partners also aims to address the areas of renewable energy research and development , joint projects and initiatives of common interest.

This policy goal of enhancing renewable energy cooperation was fully supported by the Mediterranean partners at the Euro-Mediterranean Energy Ministerial of December 2007 and later by the Union for the Mediterranean which made the **Mediterranean Solar Plan** one of its flagship projects. Renewable energy was identified by the EU and GCC in July 2009 as a key element for enhancing mutual relations and cooperation.

Activities in the Mediterranean region

Energy cooperation with the Mediterranean partner countries was developed in the framework of the Barcelona Process with the aim of creating a fully integrated and interconnected Euromed energy market. The expansion and deployment of renewable energy is currently a key element in cooperation between the EU and the Mediterranean countries. The Ministerial Conference in December 2007 confirmed

the focus of the Euromed energy cooperation on promotion of sustainable development in the energy sector through increased use of renewable energy sources and improving energy efficiency and savings.

This focus is reinforced through activities of the Union for the Mediterranean, mainly through its flagship initiative - **the Mediterranean Solar Plan**, endorsed at the Summit of 13 July 2008. The objective is the creation of 20 GW of new generation capacity in solar and other renewable energy sources around the Mediterranean Sea by 2020.

A larger deployment of renewable energy in the region is possible. It will need an adequate legislative and regulatory framework, new technology as well as strengthened interconnections. The European Commission is pursuing a number of initiatives and projects in this area, which will be complemented by a Commission proposal for a Mediterranean Energy infrastructure initiative in 2010. This will outline, inter alia, a plan for strengthening regional electricity links.

Regional cooperation

The European Commission provides a broad technical assistance to the region with a strong focus on building capacities for development and deployment of renewable energy. The following projects illustrate the type of support the EU is providing on a sub-regional basis to underpin these objectives:

Support for the enhanced integration and the improved security of the Euro-Mediterranean energy market (MED-EMIP) aims to reinforce energy cooperation among all Mediterranean countries with particular emphasis on development of the necessary legislative and regulatory frameworks for large-scale utilization of renewable energy. The current Community support of €4 million contributes to securing targeted expertise to national energy authorities of the beneficiary countries.

The Regional Centre of Excellence for Renewable Energy and Energy Efficiency (RCREEE) facilitates development of renewable energy sources and promotion of energy efficiency measures in the Southern Mediterranean partner countries. Since 2008, when the centre was established in Cairo, the European Commission has

provided a contribution under the MED-EMIP project to enable the launch and initial operation of the Centre,

In order to secure that the respective regulatory frameworks for increased utilization of renewable energy are in place, the Commission has been working together with the Italian authorities on enhancing cooperation between Mediterranean regulators through establishment of the **MEDREG** (Mediterranean working group on Electricity and Natural Gas Regulations). This working group contributes to institutionalized cooperation between the regulatory bodies in the region to achieve a consistent, harmonized and investment-friendly regulatory framework, whereas renewable energy aspects are addressed by a specialized working group. Since 2008, the European Commission has provided technical assistance of €300.000 for this project with a follow up under preparation.

Bearing in mind the importance of the infrastructures necessary for deployment and exports of green energy, the Community is contributing to the Maghreb Electricity Market Integration Project (IMME). The objective is to create a sub-regional electricity market between Morocco, Tunisia and Algeria and its progressive integration with the EU's electricity market. The Commission has so far provided a support of €5.6 million.

To boost energy efficiency measures in the region and the use of solar energy in the construction sector, the European Commission is a major contributor to the project Energy Efficiency in the Mediterranean Construction Sector (MED-ENEC). During the first phase of the project (2006-2009) and with a Community contribution of €4 million, cooperation was developed between Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey. The second phase is currently being launched with an extended focus on energy efficiency measures across all sectors, and will benefit from an increased Community contribution of €5 million.

The European Strategic Energy Technology plan (SET Plan) underlines the potential of enhanced international cooperation in energy research. Supply security and climate change are global issues with solutions that can be deployed globally, giving rise to huge markets but also to severe competition. The Commission financed a specific

project addressing renewable energy in the Mediterranean region under the 6th Research Framework Programme. The 2-year Action Plan for high priority renewable energy initiatives in Southern and Eastern Mediterranean Area (REMAP) included activities such as compiling a solar and wind-energy resource atlas for these regions; identifying and prioritising potential demonstration sites for wind and concentrated solar projects in Algeria, Tunisia, Jordan and Turkey and proposing financing schemes for priority renewable demonstration projects. To secure involvement of all actors, including the industry, the project was implemented in close coordination with the Observatoire Méditerranéen de l'Énergie, which groups all major energy companies from the EU and Southern Mediterranean.

Another initiative contributing to the innovation and research aspects for developing renewable energy research is the INCO-Net coordination platform, which has been supported by the European Commission since 2006. Within this framework, the project Mediterranean Innovation and Research Coordination Programme (MIRA), covered under the 7th Research Framework Programme, contributes to develop the renewable energy field by facilitating dialogue, identifying common interests in research areas, setting-up science & technology priorities and supporting capacity building activities in the region.

Bilateral cooperation

Energy cooperation on renewable energies is also a strong element in the bilateral energy relations between the EU and the Mediterranean countries. Joint Declarations on Energy Cooperation were signed between the European Commission and Morocco in July 2007 and Jordan in October 2007. Moreover, a Memorandum of Understanding on energy was concluded with Egypt on 2 December 2008. These bilateral cooperation frameworks facilitate, inter alia, cooperation on development of renewable energy sources, the establishment of appropriate legislative and regulatory frameworks and the capacity building in these EU partner countries. Furthermore, agreements including elements of energy cooperation are being negotiated with Algeria and Libya, which will provide an additional basis for stepping up collaboration on renewable energy and energy efficiency.

On a general level, the cooperation with these partner countries in the field of renewable energy builds on the bilateral contact already underway in the context of the European Neighbourhood Policy (ENP). Enhanced cooperation on energy policies, renewable energy sources, energy efficiency and savings and energy networks are a major element in the bilateral Action Plans for EU's partner countries in the region.

In addition, the Community is contributing to investments in renewable energy and energy efficiency in the Mediterranean countries through the Neighbourhood Investment Facility. Examples of concrete EU's support include a contribution of €10 million for the Gulf of El Zayt wind farm in Egypt in 2008, or the grant of €1 million provided in 2009 for a Feasibility Study for a Concentrated Solar Power Plant in Tunisia.

i. MEDREG – Energy regulators cooperation

A new regional project has been launched in the strategic field of energy. MED REG aims at strengthening cooperation between the EU energy regulators and those of the Mediterranean Partner Countries by helping them to develop a modern and efficient regulatory framework. This is important for the setting up of an integrated Euro-Mediterranean energy market.

The project also endeavours to facilitate information exchanges and approaches between EU and Partner Countries regulators, assist the Mediterranean countries in establishing independent energy regulators, or empowering those which already exist and to develop the technical capacities of their staff.

MEDREG has been created to promote the achievement of a consistent harmonized and regulatory framework aimed at providing the maximum benefits to energy consumers of the Mediterranean region.

MEDREG's role is crucial to guarantee the existing of permanent collaboration between the Regulatory Authorities of the EU, of the Energy Community Member States and those of the Mediterranean Countries.

MEDREG, particularly, focuses on the promotion and exchange of know-how, expertise exchange, specialised training and studies in the field of energy regulation,

notably in collaboration with the Florence School of Regulation (FSR), created by CEER² and the European University Institute, and with the support of the European Commission.

ii. Current Status of Energy Regulation in the Mediterranean Region

During the discussion taken in 2006 MEDREG members noted that important infrastructure interconnection projects are under development, which will boost exports of natural gas and electricity from Southern and Eastern Mediterranean countries to Europe and eventually lead to the completion of electricity and gas Mediterranean rings, as foreseen by the European Commission's Guidelines on Trans-European Energy Networks. Such new links will strengthen the security, continuity and economic efficiency of energy supplies on both shores of the Mediterranean.

Regulators remark that the implementation of a stable, harmonized, transparent and consistent regulatory framework for the electricity and gas sectors, inspired by EU rules, and the development of regional markets will greatly facilitate the financing of large infrastructure projects. **Such regulatory framework should aim at the gradual integration and opening of national markets.** Since the achievement of these goals can only be based on shared regulatory, organisational and institutional knowledge and competencies among regulators and regulatory institutions of the Council of European Energy Regulators and those of Mediterranean countries, enhanced and permanent collaboration between all Regulatory Authorities of the Mediterranean Basin is **necessary**.

Independent regulators have been established in all EU Member States following the Directives **2003/54/EC and 2003/55/EC**³. Moreover, due to the Treaty establishing the Energy Community for the integration of the Balkan energy Market into the EU one, new regulators have been also established in South East Europe.

In the remaining countries of the Mediterranean Basin some regulatory authority have also been already set up.

² http://www.energy-regulators.eu/portal/page/portal/EER_HOME/Brochure7_0.pdf

³ http://ec.europa.eu/energy/gas_electricity/interpretative_notes/doc/implementation_notes/security_of_electricity_supply_en.pdf

The actual role and independence of such institutions varies and the benefits of stable and performance based regulation are generally accepted. Regulators (Authorities, Ministers, Agencies) already in place in the Mediterranean basin have different powers and competences, nevertheless a very important step should be to have harmonised rules in place so to have a unique platform in terms of rules in order to promote and facilitate energy integration and exchanges.

All the above mentioned remarks have led **MEDREG** to pursue the following main objectives:

- _ information exchange, common analysis and comparison of existing energy legislation and regulation;*
- _ organization of shared specialised training, technical assistance, exchange of know-how and experience;*
- _ development of common positions on the regulatory issues, including criteria for those issues related to cross border electricity and gas trade;*
- _ promotion of Euro-Mediterranean regional electricity and natural gas markets towards their respective integration, taking into consideration and building upon the projects already under development;*
- _ promotion of harmonized, transparent and non discriminatory market rules.*

MEDREG activities shall develop as follows:

_ A plenary session of MEDREG will be held, at least every 6 month, to discuss and approve high level developments, guidelines for operational work, detailed annual Work Plan and Budget, and position papers submitted by ad hoc groups and task forces.

_ Ad hoc Groups (AGs) have been set up to analyse institutional, technical and market aspects. They will particularly deal with aspects concerning markets development , energy exchanges, infrastructure, information and training, environmental issues, quality of service and price regulation . **AGs** will be permanent and include representatives from all participating institutions. They will meet at least twice a year. Task Forces will be set up, if necessary, by the AG on a voluntary basis, have a temporary character and may meet as necessary. Both ad hoc groups and task forces would report to the MEDREG General Assembly.

iii. Activities and instruments

The Mediterranean Working Group on Electricity and Natural Gas Regulation (MEDREG) has already established four working groups, as recalled below. It is proposed to MEDREG participants to set up a Task Force, or an additional working group, on new / innovative support schemes for low income customers.

The work of the Task Force members will involve:

- Description and analysis of energy subsidy situation in each MPC (Mediterranean Participating Countries) , on the basis of clear methods and a set of criteria;
- Assessment of possible solutions, stemming from experience and best practice in other MPC, in the EU and other regions;
- Monitoring of the results of schemes implemented in the different countries.

This work will be supported by specialised experts. It will also be supported by the above mentioned set of tools and common data base and eventually by a dedicated regional study and/or technical assistance. Data updated by ministries and possibly companies would facilitate benchmarking of prices and tariffs, comparisons of policies and "peer reviews". The MEDREG Task Force will also liaise with other working groups of MEDREG.

Nevertheless, a Task Force within MEDREG may not be sufficient to address all key issues for energy subsidies, considering that most energy member regulators are active **mainly in the electricity and natural gas sectors, while a substantial portion of subsidies relates to oil products**. Therefore, additional executive seminars, supported by specialised petroleum experts, may have to be organised to exchange experience about phasing out of subsidies and transition systems prevailing or which have prevailed in other countries.

This activity will contribute to:

- Clarify the issue of subsidies and develop innovative and durable possible solutions;
- Improve transparency of information, thereby facilitating mutual understanding and benchmarking;

- Speed up reforms which face difficulties at country level, and facilitate tasks for the responsible authorities to phase out non-targeted subsidies and cross-subsidies and to gradually liberalise prices.

Electricity and in some cases natural gas regulatory authorities have been established in several MPC.

These regulators will gain experience by regularly participating in joint activities with their EU counterparts, as well as with those of South Eastern Europe. This started in 2006 under MEDREG and has proved extremely useful to the satisfaction of all participants. Participation was also beneficial for representatives from MPCs which have not yet established a regulator.

Another extremely facilitating tool of MEDREG mechanism would be the AG's.

The first structure of the Ad hoc Groups should be as follow:

A. Ad hoc Group on institutional issues (INS AG):

The Ad hoc Group on Institutional Issues (INS AG) has been set up with the aim to enhance closer coordination through mutual knowledge, information exchange and training tools between Mediterranean regulators. Moreover it will assess:

- the current status of regulatory institutions, their competences, resources and expertise. The group will define and approve the terms of reference of the comparative study and discuss its results;
- the needs of know-how, training and experience exchanges, as tools of institutional building.

Training courses will be organised on the basis of specific needs by the FSR.

The Expected Output is the following:

- Benchmarking Study
- Memorandum of Understanding presenting the minimum competencies necessary to have independent National Regulatory Authority (NRAs) in the Mediterranean area.

The Group started already its activity during 2007 working on the Terms of Reference of the Benchmarking Report. The benchmarking study will be finished in 2008. The conclusions of this study will be used to identify the basic criteria to implement a shared regulatory system in the Mediterranean area. A set of minimum competences

and organisational structure of Euro-Mediterranean Regulatory Authorities will be defined in a Memorandum of Understanding which will be signed in 2009.

B. Ad hoc Group on electricity (ELE AG):

The objective of this Ad hoc Group is to promote the integration of member countries electricity markets. Starting from the assessment of the current status and expected evolution of MEDREG electricity markets, the AG on electricity will identify the basic requirements to harmonize and improve regulation in the MEDREG countries. Better regulation is needed to develop an integrated, competitive and functioning electricity market in the region. To this aim the AG on electricity will examine and, in case, will propose common positions on the following subjects:

- present and future interconnections infrastructure needs from the technical, economic, and financial perspectives, to reach the final goal of the establishment of a regional integrated electricity market;
- unbundling of sector activities;
- operational issues concerning cross border exchange and congestion management practices;
- market design;
- transparency of market information and services;
- non discriminatory TPA to infrastructure and services;
- tariff methodologies
- price regulation

The aim of the ELE AG is to establish an investor friendly environment in MEDREG countries in the field of electricity generation, transmission and trade as well as to harmonize the legal and technical framework.

Moreover, it will:

- o monitor electricity exchange activities among member countries;
- o study the present and the future interconnections infrastructure needs;
- o study the present rules and practices governing exchanges among member countries;
- o propose unified/general rules/guidelines for electricity exchanges among member countries;

The Expected Output is the following:

- Report on the present and future needs on interconnections infrastructures investments necessary to integrate the electricity MEDREG market.
- List of recommendations to achieve better and harmonised regulation necessary for the development of an integrated, functioning and competitive market in the region.
- Proposals on common rules /guidelines to be set up in the MEDREG countries

C. Ad hoc Group on gas:

Starting from the assessment of the current status of natural gas and LNG markets, of sector regulation in the MEDREG countries and its expected evolution, the AG on gas will highlight the basic requirements of harmonization and improvement of regulation in the MEDREG countries that are needed in order to develop an integrated, competitive and functioning gas market in the region.

To this aim the AG on gas will examine and, will propose common positions on the following subjects:

- gas market structure;
- unbundling of supply, transmission, storage and distribution;
- transparency of market information and services;
- tariff methodologies;
- security of supply and consumer protection in liberalized context.

It will also explore the development of new gas infrastructures, in particular new gas pipelines, LNG terminals and new storage capacity, defining common regulatory provisions that may be needed for their construction and management. In that respect, it will start from existing developments and studies, explore difficulties encountered by operators, and outline common steps including guidelines for regulation aimed at facilitating the development of new facilities. A study could be undertaken and could be articulated over several stages and extended over two or more years, with periodical reporting to the General Assembly; the study could be awarded if necessary to specialised researchers. The AG will define and approve the terms of reference of the study and discuss its results.

The Expected Output is the following:

- Study providing the assessment of the current status of gas markets, of sector regulation in the MEDREG countries, and its expected evolution;
- Recommendations on the improvement and harmonization of the regulation of the sector that are required for the development of an integrated, functioning and competitive market in the region. The recommendations will cover the subjects listed in the above and should possibly lead to a proposal concerning common rules/guidelines to be implemented in the MEDREG countries.

D. Ad hoc Group on environment, renewable energy sources and energy efficiency (RES AG):

The RES AG will explore the issues related with environment, Kyoto commitment, renewable energy sources and energy efficiency, focusing on the opportunities arising from existing and future partnerships in the Mediterranean Basin.

The objectives of this Ad hoc group are:

- to promote the exchange of information, knowledge and experiences;
- to analyze main regulatory mechanisms on:
 - o environment protection;
 - o promotion of Renewable Energy Sources (RES) and Combined Heat and Power (CHP);
 - o energy efficiency promotion;
- to evaluate the results of the different mechanisms in the national contexts, analyzing success factors and critical issues;
- to analyze the possible effects of the introduction at a national level of successful mechanisms adopted in other countries;
- to evaluate the possibility of extending the functioning of national mechanisms to a supranational level (green certificates market, markets for energy efficiency);
- to evaluate the possibility of collaboration as regards the flexible mechanisms introduced by the Kyoto Protocol;
- to study the effects of linking the European Emission Trading Scheme with schemes introduced in third countries.

The Expected Output is the following:

- o analysis on the status quo in the different countries, regarding the structure and organization of the electricity system, the trend of national emissions of greenhouse gases, the legislative and regulatory framework concerning renewable sources support schemes and energy efficiency promotion;
- o the definition of an Executive Summary of the environment, RES and energy efficiency benchmarking exercise.

In 2008 the activity will be focused on the issuing of both a Report on main regulatory mechanisms and experiences focussed on the assessment of the pros and cons of different national mechanisms and a Paper on the valuation of the effects of the introduction of successful mechanisms in third countries, considering the importance of the different context in terms of market structure and regulatory and legislative framework (third-fourth quarter 2008). The goals to be achieved by the end of 2009 are to elaborate a Paper on the valuation of the effects of extending the functioning of national mechanisms to a supra-national level (first quarter 2009) and to prepare a Paper to analyze collaboration as regards flexible mechanisms and possibility of linking the ETS Scheme with schemes in third countries⁴.

The MEDREG may call on one or more Fora or Seminars to be set up, involving national Governments, the European Commission and other stakeholders in order to agree with concerned parties the conditions for further development of Mediterranean market integration and evaluate possible involvement of MEDREG members.

In the November 2009 Association of the Mediterranean Regulators for Electricity and Gas Mediterranean Energy Regulators meeting in Cyprus which was held in order to approve new 2010-12 Action Plan **the four MEDREG ad hoc Groups** presented the major results of their ongoing activities:

- *the Institutional Issues Group updated the Assembly on the work done with particular focus on customer issues through the dedicated Task Force (TF);*
- *the Electricity Group presented the updated work concerning infrastructure interconnections considering the need for a regional approach to harmonise and integrate Mediterranean electricity markets;*

⁴ [European Neighbourhood & Partnership Instrument](#)

- *the Gas Group updated the Assembly on the work done with particular focus on benchmarking assessment and transparency requirements;*
- *the Group on Environment, Renewable Energy Sources (RES) and Energy Efficiency presented an update to the Benchmarking exercise, and final reports on the effects of the introduction of the successful mechanisms to promote RES, CHP (Combined Heat and Power) and energy efficiency in non-EU countries.*

4. Main principles

i. Information exchange and Networking

In order to facilitate the exchange of information and to promote training projects, MEDREG activities will profit from the support offered by the **Florence School of Regulation (FSR), REMEP (Rome Euro- Mediterranean Energy Platform) and the International Energy Regulation Network.**

Within the framework of Euro-Mediterranean energy policy and the developments which have taken place since the so-called “Barcelona Process”, launched at the Euro-Mediterranean Ministerial Conference in Barcelona on 27 and 28 November 1995, and in line with the agreements reached at the recent Summits of Euro- Mediterranean Heads of State and Government (Paris Summit, July 2008) and Euro-Mediterranean Ministerial Conferences on Energy (Limassol, December 2007) and Foreign Affairs (Marseille, November 2008), the participants highlight the following information and conclusions.

On 17 December 2007, the Euro-Mediterranean Ministerial Energy Conference was held at Limassol (Cyprus). Within the framework of this Conference the Energy Ministers of the Mediterranean region agreed on a **Priority Action Plan for the period 2008-2013**, presented by the European Commission (EC), with the **aim of contributing to obtaining safe, sustainable and competitive energy in the region.**

ii. The three priority areas established by this Priority Action Plan 2008-2013 are:

- (i) to guarantee greater harmonization of the energy markets and legislations and to seek integration of the markets in the Euro-Mediterranean region;
- (ii) to further sustainable development in the energy sector and;
- (iii) to develop initiatives of common interest in key areas such as infrastructure extension, investment financing, research and development. To achieve the first objective (harmonization and integration of the markets) it is necessary to develop realistic scenarios with regards to the objectives of energy policy, master plans and reform agendas.

It is also necessary to define more long term objectives and priorities, to develop the use of an appropriate set of tools such as demand and supply forecasts and to establish appropriate supervision and comparison (benchmarking) tools, taking into account the particular features of each country. In line with the foregoing, and as a reference point in the process of harmonization and future integration, the Action Plan refers to the need to establish and develop Independent Energy Regulatory Agencies. With regards to this matter, we should also mention the tremendous work carried out in recent years by **MEDREG** (The Association of the Mediterranean Regulators for Electricity and Gas, established in 2005).

On 13 July 2008 the Summit of Mediterranean Heads of State and Government (Summit for the Mediterranean) was held in Paris at which a Joint Declaration was adopted establishing the institutional framework of the **so-called “Barcelona Process: Union for the Mediterranean” (UM)**. This declaration tasked the Secretariat to explore the feasibility, development and creation of a “Mediterranean Solar Plan”. The institutional structure and the Mediterranean Solar Plan⁵ were then approved and developed by the Ministerial Conference of Foreign Affairs held in Marseille on 3-4 November 2008.

Participants agree on the strategic importance of the objectives established at the Ministerial Energy Summit of Limassol (Cyprus) of 17 December 2007 and the Joint

⁵ http://www.ambitalia.org.uk/MSP_conference/Marroni.pdf

Declaration adopted at the Summit of Mediterranean Heads of State and Government (Summit for the Mediterranean) held in Paris on 13 July 2008.

Participants recognise **MEDREG's current role as a pillar to achieve regulatory cooperation and harmonization**, both intra-regional and, in a second phase, inter-regional with the European Union (EU).

They also highlight the importance of the work carried out by MEDREG and its significance in guaranteeing a stable (in time) and harmonized regulatory framework as a condition for guaranteeing performance of the necessary investments and the provision of the financing mechanisms for suitable projects while also guaranteeing a stable and predictable regulatory framework which encourages and attracts these investments. In this last regard, it is important to support the work carried out by MEDREG, presently led by the Italian Regulator and by the Algerian and Turkish Regulators and its Ad Hoc Working Groups (AGs).

With regards to energy infrastructures and interconnections, their development represent a key element for both the electricity and gas sectors, in enhancing energy affordability and security by markets integration and efficiency; exchanges development; and continuous quality of service improvement for final customers and diversifying sources of supply. In this connection, it should be highlighted that Liquefied Natural Gas (LNG) infrastructures provide for an important degree of flexibility to the system by enabling the wider diversification of the gas origins and supply.

Participants reflect on the possible effects of the current economic crisis on energy markets and agree that it is crucially important to maintain the focus on Mediterranean basin infrastructure investments, regulatory harmonization, consumer protection and progress towards efficient and integrated energy markets.

A high level of energy cooperation should be encouraged, especially in the area of regulation through the existing mechanisms and institutions (i.e. MEDREG, Euro-Mediterranean Partnership Agreements).

MEDREG also intends to enhance the high level dialogue with international organizations and institutions such as: *Observatoire Méditerranée de l'Énergie* (OME); the Secretariat of the "Barcelona Process: Union for the Mediterranean

(UfM)⁶; the Parliamentary Assembly of the Mediterranean (PAM), Mediterranean Association of the National Agencies for Energy Conservation (MEDENER), MEDELEC (grouping together the major Mediterranean electrical utilities and associations), consumer associations.

iii. Implementation framework and potential partnerships

This key action will be developed within MEDREG by the experience and work carried out by the CEER ⁷, the European energy regulators association, as well as EAMGCC, the Euro-Maghreb Electricity Market project and AUPTDE.

Most EU member states are confident that they will be able to ramp up the production of renewable energies to meet their 2020 production targets, according to national forecast documents submitted to the European Commission.

From 2004, Euro-Mediterranean Partnership is included in the European Neighbourhood Policy (ENP). The aim of ENP is to avoid new dividing lines separating the EU from the neighbouring world. The southern Mediterranean countries are encouraged to promote infrastructure interconnections and networks (in particular energy), and develop new forms of cooperations with their neighbours.

The focus on energy is not only motivated by the need to find energy suppliers, in reference to the Middle East and North Africa – countries such as Morocco and Tunisia serve as transit countries. Examples are the creation of a Euro-Maghreb electricity market that could be complemented with a gas market, and the Euro-Mediterranean energy networks. Infrastructure interconnection projects are especially mentioned in ENP Strategy Paper:

“Assistance could be given in the planning of networks in order to facilitate trade and access to the EU market. Possibilities include new gas networks and connection projects between North Africa and Europe, as well as electricity interconnections and cooperation between Morocco, Algeria and Tunisia; a gas pipeline from Egypt through

⁶ [Barcelona Declaration](#)

⁷ http://en.wikipedia.org/wiki/Council_of_European_Energy_Regulators

Jordan, Lebanon, Syria to Turkey and the EU; electricity interconnections between Israel and Palestinian territories; development of a blueprint for sub-regional intermodal transport networks in the Maghreb and in the Near East, including rail and road infrastructure interconnections and maritime transport; improvements at border crossings and ports-hinterland connections. Furthermore, assistance for promoting security projects could be provided.”

ENP will be implemented in order to achieve the objectives of the Strategic Partnership for the Mediterranean and the Middle East. This will be done more concretely through the possibilities that the Barcelona process has to offer, and the different Association Agreements signed with the Partner countries.

5. EURO-MEDITERRANEAN ENERGY COOPERATION REMEP 2008-2013

The present Priority Action Plan draws on the work carried out by the Experts Group established in the frame of, and endorsed by, the Euro-Mediterranean Energy Forum. The Experts' Group has reviewed the current energy sector situation in the Partner Countries, taken stock of the results of the implementation work over the period 2003-2006, and defined the priorities for future regional and sub-regional cooperation in the Euro-Mediterranean area.

The three following priority areas were identified for future Euro-Mediterranean energy cooperation activities in the upcoming period:

- Ensuring the improved harmonization of energy markets and legislations and pursuing the integration of energy markets in the Euro-Mediterranean region;
- Promoting sustainable development in the energy sector;
- Developing initiatives of common interest in key areas, such as infrastructure extension, investment financing and research and development.

i. Ensuring the improved harmonization of energy markets and legislations and pursuing the integration of energy markets in the Euro-Mediterranean region

The overall aim is to further support and accelerate the ongoing reforms in the countries of the southern shore of the Mediterranean with a view to the gradual regulatory harmonisation between the energy markets of participating countries in the Euro-Mediterranean energy cooperation and towards the progressive creation of an integrated and interconnected Euro-Mediterranean energy market.

In this area of cooperation, the Ministers will use best endeavours to work jointly towards the following actions:

- Maintain a regular Euro-Mediterranean dialogue on the developments of energy policies and experiences and support the Mediterranean Partner Countries with the objective to:

- ◆develop realistic scenarios regarding energy policy objectives, master plans, reform agendas;

- define longer term policy objectives and priorities;
 - find appropriate solutions and tools to implement these policies, and to adjust strategies, if required;
 - develop and use appropriate set of tools such as demand/supply forecasts, least cost supply plans, performance indicators;
 - define schedules and appropriate institutional setting and responsibilities;
 - allocate resources in an optimal manner;
 - elaborate solutions and plans of action for the effective implementation of the agreed strategies and policies and establish adequate monitoring and benchmarking tools, taking into account differences in national situations;

The Rome Euro-Mediterranean Energy Platform (REMEP) will provide the operational tools for the successful development of energy scenarios, as well as of demand and supply forecasts in the region;

Work on setting up monitoring systems, taking into account differences in national situations, to assess progress and prospects for energy sector reform, particularly with regard to the legal and regulatory framework, including a comprehensive regional database containing all information relevant to the status and progress of energy reforms in the Mediterranean Partner Countries, which will provide examples of best-practices and serve as a permanent common reference by which Government administrations and market actors in the whole Euro-Mediterranean region could situate themselves and define benchmarks;

Prepare the establishment and development of independent energy regulatory agencies, at national level, and provide management, technical and commercial experience to energy regulators and entities responsible for market opening in the Mediterranean Partner Countries;

Seek to implement stable, transparent, non-discriminatory and cost-reflective regulations and improve enforcement of energy regulation;

Assess the implications of energy mix for electricity generation on the pace of liberalisation and the role of private sector investment in this regard;

Define and carry out activities that lead to the most viable intermediate and ultimate liberalised and functioning market solutions, whether sub-regional or for the EU-Mediterranean region as a whole, which may require tailor-made approaches in line with the diverse situations in the Mediterranean Partner Countries;

Seek to complete the sub-regional electricity (**Maghreb**) and gas (**Mashreq**)⁸ market integration projects, and gradually interconnect and integrate those with the EU internal energy markets;

Assess the possibility of integrating Libya, and other countries in the regional and sub-regional energy market activities;

Remove barriers to access to an open, transparent and competitive EU gas and electricity markets;

⁸ http://www.mashreq-maghreb.org/project_summary.php

Enhance Euro-Mediterranean cooperation for the harmonisation of common rules for the electricity and gas markets, reflecting the principles of competition and reciprocity, safety and security;

Consolidate and expand the work developed by the Mediterranean Working Groups on Electricity and Natural Gas Regulation, under MEDREG, to facilitate the transparency of information and mutual understanding and benchmarking;

Explore the possibility of carrying out complementary work to MEDREG on oil products;

Explore the possibility of cooperating in the field of petroleum products' specifications, as well as in oil stocks' regulation;

Pursue the harmonisation of information systems and statistics used in the energy sector of the Euro-Mediterranean countries initiated with the MEDSTAT II project funded through MEDA programme⁹;

Promote a more extensive use of technical assistance to exchange knowledge and experiences in the above areas, most notably through twinning, Technical Assistance Information Exchange (TAIEX) and staff exchanges amongst the energy administrations of the Euro-Mediterranean Partner Countries.

ii. Promoting sustainable development of the energy sector

The overall aim is to develop and **implement appropriate strategies and build the necessary institutional capacity** for promoting sustainable energy in the Mediterranean Partner Countries, building inter alia on the knowledge and experience of the European Union in the field of energy efficiency and energy savings, new and renewable energy and climate change mitigation and adaptation.

In this area of cooperation, the Ministers will use best endeavours to work jointly towards the objective of developing a Euro-Mediterranean green energy market through the following actions:

⁹ Council Regulation (EC) No [1488/96](#) of 23 July 1996

- Support the conditions for the effective development of sustainable energy in the Mediterranean Partner Countries through the design, implementation and monitoring of long term sustainable energy policies and action plans, including the establishment of quantifiable targets for renewable energy and energy efficiency improvements, coupled with adequate institutional, legal and regulatory frameworks based on national circumstances;
- Develop awareness amongst decision makers regarding the opportunities provided by sustainable energy, develop capacities of decision makers and experts to attract investment and to support new activities in this field;
- Develop the work of regional, national and local energy structures in the Mediterranean region, such as the Regional Centre of Excellence for Renewable Energy and Energy Efficiency in Cairo, in order to facilitate the implementation of policy and the market uptake of technologies in the field of renewable energy and energy efficiency, including by encouraging private investment and promoting Public Private Partnership, foster joint R&D cooperation activities with EU organisations and facilitating training and educational activities;
- Promote effective networking and sharing of information and best practices between energy agencies in the Mediterranean Partner Countries with similar bodies in the European Union, building on the achievements and the activities developed by the Mediterranean Energy Agency Network (MEDENER), and optimising national support schemes, exchange of best practices and technological innovation (including use of low sulphur fuels and clean burning technology to prevent and/or reduce the emissions of nitrogen oxides and fine particles) through regional and international initiatives such as the EU Energy Agency Network, the Blue Plan, Cairo's Regional Centre of Excellence for Renewable Energies and Energy Efficiency, the Renewable Energy and Energy Efficiency Partnership, the Renewable Energy Policy Network for the 21st Century, the Global Village Energy Partnership and the Middle East and North Africa Renewable Energy Conferences, which should be further encouraged and supported;
- Review the experience gained in the framework of the MED-ENEC project on energy efficiency in the construction sector in the Mediterranean, and mandate the

Energy Experts' Group of the Euro-Mediterranean Energy Forum to set up new regional and/or sub-regional initiatives focusing primarily on aspects, such as:

- Improved energy performance of buildings, including energy efficiency measures and the use of new and renewable energy, notably for heating and cooling purposes,
 - sustainable transport policies, notably clean urban transport systems, ,
 - improved efficiency in the energy transformation, transport and distribution systems,
 - large-scale grid connected new and renewable energy power production and/or associated to sea water desalination;
 - Renewable energy decentralised power production;
 - biomass/biogas production and
 - co-generation for electricity production and heating.
- Reduce gas flaring and venting, and encourage the elaboration of Country Implementation Plans and participation in the Global Gas Flaring Reduction partnership by oil and gas producing countries;
- Cooperate for the sustainable development of the oil sector;
- Improve knowledge on financing tools amongst the main public and private players, and enhance utilisation of the different existing and new financing mechanisms, such as global Energy Efficiency and new and Renewable Energy Fund, for the uptake of renewable energy and energy efficiency, in particular small scale and micro credits, energy efficiency funds and Energy Service Companies, climate change flexible mechanisms, and promote effective ways to efficiently link and integrate them with each sector; devise flexible financing methods to run common projects and set up a platform to facilitate the emergence of bankable sustainable energy projects together with the European Investment Bank¹⁰, EU

¹⁰ http://www.eib.org/attachments/ev/ev_energy_en.pdf

bilateral financing organisations like Agence Française de Développement (AFD), KfW, and other financing schemes, including through the provision of technical assistance packages;

- Support development of energy systems at the most appropriate scale, on a case-by-case basis, focusing whenever possible on small-scale, decentralised systems based on renewable energy sources;
- Maximise the use of the flexible mechanisms under the Kyoto Protocol for expanding new and renewable energy and energy efficiency deployment.

iii. Developing initiatives of common interest in key areas, such as infrastructure extension, investment financing and research and development

The overall objective is to facilitate the practical implementation of investments in energy infrastructure of common interest in the Euro-Mediterranean region, whilst avoiding environmental degradation arising from such investments, including the necessary interconnections aiming at completing the electricity and gas Mediterranean rings as well as other necessary infrastructure projects to optimise the inter-operability of the systems and enhance their reliability and to increase energy trading in the Euro-Mediterranean region.

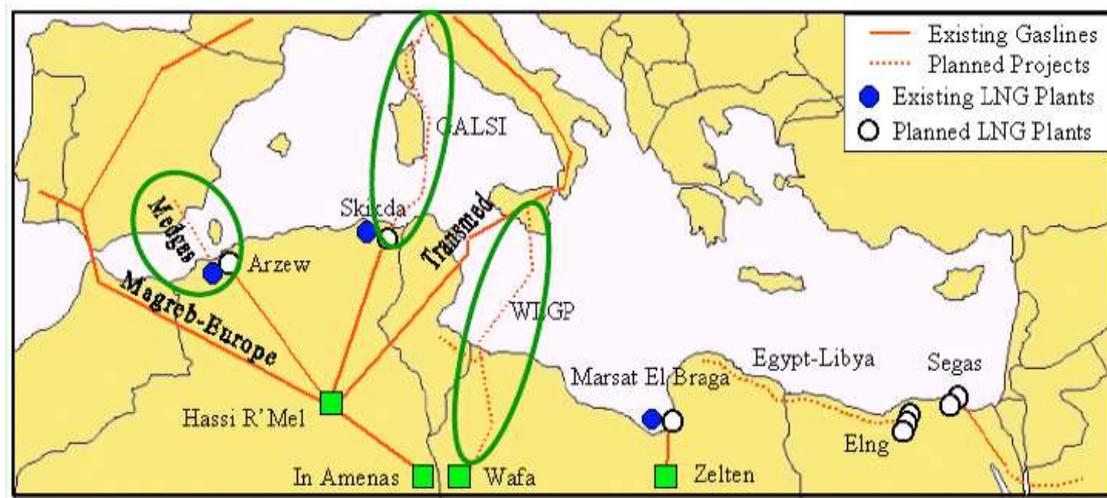
In this area of cooperation, the Ministers will use best endeavours to work jointly in the following areas:

- Improve the functioning of the Mediterranean regional and sub-regional gas and electricity markets, including the extension, also geographically, of the ongoing sub-regional projects in these sectors in the Maghreb and Mashreq, and their ultimate integration with the EU internal markets as well as the sub-Saharan region;
- Strengthen electricity and natural gas networks and installations and other transport means, as well as their interoperability, remove congestions, address role of new entrants, train electricity and gas network managers, set rules for interconnectors and price setting, and improve reliability of energy supply in the region;

- Identify and implement best policy and regulatory practices for investments in the different energy sub-sectors, taking into account differences in national situations;
- Enhance the rationalisation, modernisation and necessary expansion of refineries, oil products terminals, logistics and distribution in the Mediterranean Partner Countries, including oil products' quality for export in consistency with the latest international standards, harmonise rules and practices for upstream oil and gas infrastructures and promote research and technology cooperation;
- Improve the whole electricity sector performance through enhancing safety, energy efficiency and carbon performance;
- Harmonise technical and legal rules of electricity and gas interconnection management;
- For those countries having made the choice of nuclear energy, the concerned countries will fully commit to the highest international standards in safety and security of nuclear installations. The European Commission will cooperate in order to contribute to the development of technical expertise required for ensuring nuclear safety;
- Explore possibilities to cooperate in research and technology development in the field of oil shale;
- Enhance Research and Development cooperation in new and renewable energy and carbon capture and sequestration whilst taking account of the specific nature of the Euro-Mediterranean region. In particular, build upon previous and ongoing joint research efforts in the areas of solar, wind and sustainable biofuels;
- Support the EU - Israeli – Palestinian Authority cooperation in the energy sector;
- Improve the institutional, legislative and policy framework for renewable energy in order to support its technological development and application;
- Facilitate the financing of energy infrastructure and taking all appropriate actions in view of the realisation of interconnections and infrastructure projects of common interest in the region, including for instance:

- Gas interconnection Turkey – Greece –Italy;
- Arab gas pipeline;
- Medgaz pipeline;
- Nabucco pipeline;
- Galsi pipeline;
- Maghreb-Europe pipeline (GME);
- Electricity Interconnection Turkey – Greece;
- Electricity Interconnection Algeria – Spain and Algeria – Italy;
- Electricity Interconnection Tunisia – Italy;
- Electricity Interconnection Spain - Morocco;
- Upgrading the electricity interconnection link between Egypt, Libya, Tunisia, Algeria and Morocco;
- Upgrading the electricity interconnection link between Egypt, Jordan, Syria, Lebanon, and Turkey;
- Burgas – Alexandroupolis oil pipeline;
- Gas, oil and electricity offshore interconnection between Israel and Turkey;
- Electricity, oil and gas interconnections along corridor № 8 (Bulgaria-FYROM-Albania-Italy);
- Trans Saharan Gas Pipeline “TSGP” Nigeria-Algeria-Spain-Italy;
- Projects of cooperation in the Energy Sector between Israel and the Palestinian Authority;

- And other priority interconnections projects, whose identification, planning and implementation are industry-driven,
- Develop natural gas transmission and distribution infrastructures network with efficient financing mechanisms, including Public-Private Partnerships;
- Assist the Mediterranean Partner Countries, wishing to do so, in the establishment of a framework favourable to private investment and industry driven exploration, production and interconnection of related infrastructures.



6. Energy cooperation in the Mediterranean – What is the European Commission doing? – Focus on the costs and benefits of the Mediterranean energy market integration.

The European Commission is a force behind the Euro-Mediterranean energy cooperation bearing in mind **three political objectives:**

1. creating an integrated and interconnected Euro-Mediterranean energy market based on progressive convergence of the Southern Mediterranean partner countries towards the EU internal market principles and rules;
2. developing Euro-Mediterranean infrastructures that will enhance energy security of the EU as well of our Southern partners, including development of Euro-Mediterranean gas and electricity rings; and

3. moving towards a firmer energy cooperation framework between the EU and Southern Mediterranean partners aiming at enhancing energy security, competitiveness and sustainability and facilitating energy trade in the Euro-Mediterranean region.

i. The Mediterranean Basin

An historical tradition of relationships and strong complementarities exist between EU and non EU countries within the area of the Mediterranean Basin.

The Mediterranean Basin includes 23 countries, with a population of more than 470 million slightly larger than the EU. The average annual GDP growth rates for the period 1997-2007 are around 5.1% for non-EU Mediterranean countries and 3.3% for EU countries in the Mediterranean basin. Over the same period the average annual population growth rates are around 1.53% for non-EU Med countries and 0.16% for EU Med countries.

Financial, managerial, and technological resources are necessary, together with enhanced co-operation among countries in the area, to cope with the development's trend expected in the Basin.

As far as energy is concerned, while the European Union is a net energy importer, countries of the Mediterranean Basin as a whole are endowed with more energy resources than they need for their current and near future requirements.

The electricity and gas trade potential across the Mediterranean is increasing, and far from being fully developed. Therefore a great development of energy infrastructures, trade relationships, technological transfers and know how exchange is expected.¹¹

ii. The benefits of modern regulation and development of infrastructure and trade

All Mediterranean countries are aware of the benefits of increasing market integration in the Mediterranean Basin. It is clear that, while some integration projects have been already significantly developed it is necessary further exploitation of these and other abundant natural gas reserves as well as of primary electricity resources and of

¹¹ http://epp.eurostat.ec.europa.eu/portal/page/portal/medstat/documents/RF_Energie_Ecran.pdf

interconnection benefits, in terms of strengthened security of supply, continuity and economic efficiency of energy supplies on both shores of the Mediterranean.

The completion of electricity and gas Mediterranean rings, as foreseen by the European Commission's Guidelines on Trans-European Energy Networks, is commonly recognized as a **shared objective**.

So far, market integration and infrastructure development has been led and financed by business interests, including national companies of both EU and other Member States, supported by their Governments.

Spreading and sharing advanced regulatory culture may lead to remarkable improvements on this situation, and pave the way to increasing private and public sector involvement and accelerated deployment of infrastructure, in particular of electric and gas transmission lines, forming the Mediterranean ring and networks.

It is widely agreed that a stable, fair, cost reflective and performance based regulation leads to much lower investment risks, and hence to larger investments, improved choice of contractors and lower costs of financing.

On the other hand **energy regulation guarantees consumers protection** in terms of sustainability of investments, more transparency and better quality of service with reasonable electricity and gas prices. This is the best contribution that an advanced regulatory culture, as could spread within the framework of collaboration between Mediterranean regulators, can provide to industrial investment, notably in the electricity and gas industries.

In the longer term, regulators of neighbouring countries or of countries hosting a common infrastructure could agree or recommend harmonized rules, including the opening of access to infrastructure on a non discriminatory basis, fostering further investment in the exploitation of upstream resources.

More generally, closer links would help to bring Mediterranean Partners an increasing awareness of energy trade benefits and to facilitate energy markets integration.

iii. Market reform

A worldwide interest exists with respect to the regulatory experience of the EU and other countries that have undertaken market reform in electricity and gas.

Principles of such reform are: *the unbundling (mainly transmission and distribution of electricity and gas, large gas storage) activities from production and supply; stable and independent regulation; free customer choice between competing suppliers.*

Advanced regulation is always related with some gradual market reform, broadly inspired by the same principles followed for the establishment of the IEM.

The main pillars of such reform would be:

- Market participants should be companies of any kind ; it is essential that, once their mission has been clearly set, they operate independently from political influence and their managers are responsible of the economic results.
- State aid should be linked to well defined objectives of general interest and gradually awarded to participants on a non-discriminatory basis; any other state aid should be gradually phased out while plans to ensure the generalised payment of bills should be devised and gradually enforced.
- Competition should be introduced where possible, notably in power generation, gas exploration and production, trade, ancillary services and gas storage, electricity and gas supply, provided that a level playing field is established and that national markets are sufficiently large or interconnections exist giving room to larger regional markets.
- Countries may devise their integration process both with neighbours and EU (including the promotion of cross border trade) and possibly by envisage a suitable path through necessary technical, institutional and regulatory steps including the development of interconnections.
- Even if competition is practically non-existing yet , free entry is not yet allowed and customers are not eligible, a limited but significant reform may consist of improved, incentive-oriented monopoly regulation, such as price-cap on tariffs, quality control, unbundling of accounts and benchmarking.

Market reform should be gradually introduced and should be decided by each country or (for international issues) by groups of countries after careful assessment of actual institutional technical and economic conditions.

iv. Euro-Mediterranean regional energy cooperation

The Euromed energy cooperation was developed in the framework of the Barcelona Process established in 1995 with the aim of creating a fully integrated and interconnected Euro med energy market. The main organs of the Euro med energy cooperation are a Ministerial Conference, that has met so far on six occasions, and a Forum of Energy General Directors.

The last meeting of the Ministerial Conference (December 2007, Cyprus) agreed to focus future activities of the Euromed energy cooperation on three major areas:

1. further integration of the Euromed energy markets, including, the possibility of extending the sub-regional electricity initiative in the Maghreb to natural gas, as well as of extending the sub-regional gas initiative in the Mashrek to cover electricity;
2. development of energy initiatives of common interest in areas, such as infrastructure extension, investment financing and research and development.;
3. promotion of sustainable development in the energy sector through increased use of renewable energy sources and improving energy efficiency and savings.

The European Commission acts as the Secretariat of the Euromed Energy Forum. In this position the Commission serves as a facilitator as well as initiator of the cooperation initiatives.

The Union for the Mediterranean Summit of 13 July 2008 endorsed the Mediterranean Solar Plan as a priority initiative for the Union for the Mediterranean: Barcelona Process. **The initiative builds on the outcomes of Euromed energy cooperation and will aim to increase the solar power generation capacities in the Southern Mediterranean partners with the objective to satisfy the increasing domestic electricity demand as well as to develop exports to the EU.** This will require additional efforts in several fields, including development of the relevant legislative and regulatory frameworks in the field of energy, better energy efficiency and energy savings measures and increased capacity in electricity generation from solar sources.

v. Euro-Mediterranean bilateral energy cooperation

On the bilateral side, Joint Declarations on Energy Cooperation were signed between the European Commission and Morocco in July 2007 and Jordan in October 2007. And the Commission is signing today a EU-Egypt Memorandum of Understanding on Energy and is in the process of negotiating one with Algeria. These political documents provide a basis for enhancing energy relations with these **transit and producing countries**, including a possibility for cooperation on nuclear safety with Jordan (a workshop was held on 31st March 2008 in Amman), Egypt (workshop on 15th May 2008 in Cairo) and Morocco (workshop on 21st July 2008 in Rabat). Cooperation in the area of nuclear safety and security is also included in the Road Map for the implementation of the Association agreement between the EU and Algeria.

Moreover, the European Commission is instrumental in developing a trilateral energy cooperation with the Palestinian Authority and Israel.

All this builds on the bilateral contact already underway with the Mediterranean partners in the context of the European Neighbourhood Policy (ENP)¹². This cooperation covers through its bilateral Action plans cooperation in the fields of energy policy, electricity and gas markets, energy networks and energy efficiency and renewable energy sources.

vi. Sub-regional energy projects in the Mediterranean

The Euro-Arab Gas Market Centre aims to provide support to reforms and modernization of the gas industry in Egypt, Jordan, Lebanon, and Syria (Turkey and Iraq are observers) with emphasis on gas market and network development, strengthening of the legal and regulatory framework and finalization of the Arab Gas Pipeline. The project also facilitates the progressive integration of the gas markets of the participants with a view to creating a regional gas market to be integrated within the EU internal market. In the future, this project could be instrumental in interconnecting gas markets of the EU and the Middle East. The project is based in Damascus and the Community contribution is €6 million with a follow-up project currently under preparation.

¹² [European Neighbourhood Policy Strategy Paper](#)

The Maghreb Electricity Sub-Regional Project aims to create an electricity market between Morocco, Tunisia and Algeria and its progressive integration with the EU internal electricity market. It has 4 major components: (1) strategy and plan of action for the three countries; (2) training to improve technical and managerial capacity of relevant electricity operators in the beneficiary countries; (3) institutional development and preparatory actions in view of the harmonisation of the regulatory framework, as well as of security and safety standards, with those of the EU; (4) identification of eventual trade barriers among the three countries and between those and the EU and proposal of adequate solutions. The project is based in Algiers and the Community contribution is €5.6 million.

The Energy Efficiency in the Mediterranean Construction Sector initiative aims to boost energy efficiency measures and to the use of solar energy in the construction sector, in order to reduce both energy supply requirements and the ever-growing impact on the environment of air-conditioning installations. Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey participate in this project that started in January 2006 and has 3-year duration with a Community contribution of €4 million. A follow up project of €5 million Community contribution is being launched and will focus on energy efficiency measures in the building sector and in the related industrial and services activities.

On the regulatory side, the Italian authorities have been working, with the support of the European Commission, on further enhancing the cooperation between Mediterranean regulators through the establishment of Mediterranean working group on Electricity and Natural Gas Regulations (MEDREG). **MEDREG's main function is to institutionalize the cooperation between the regulatory bodies of the Mediterranean region in order to achieve a consistent harmonized and investment-friendly regulatory framework with aim of providing the maximum benefits to energy consumers of the Mediterranean region.** The Commission is providing technical assistance to the MEDREG initiative (€300 000) over 18 months starting in January 2008. Additional support is currently under preparation.

vii. The importance of Energy Infrastructure cooperation

The European Commission also continues to support development of regional energy infrastructure projects aiming to enhance energy security for the EU and the Southern Mediterranean partners. During the Energy Ministerial that took place on 5th May 2008 in Brussels, Commissioners Ferrero-Waldner and Piebalgs promoted finalisation of the Arab Gas Pipeline which is being supported through the Euro-Arab Gas Market Centre.

It will transport Egyptian and possibly Iraqi natural gas resources to European countries. This pipeline could feed in the Nabucco pipeline.

Also the European Commission continues to support, along with the financial contribution from the European Investment Bank, the completion of the Euro-Mediterranean Gas and Electricity Ring. No later than 2010, the European Commission will put forward a Communication on the Mediterranean Ring outlining a plan for completing the missing links, **including key projects important for diversifying the EU's external energy supplies such as the future links from Iraq, the Middle East and Sub-Saharan Africa.**¹³ In this context, the European Commission is supporting the Trans-Sahara Gas Pipeline that represents an important additional opportunity for the EU to diversify routes and energy sources.

¹³ http://www.icsu-africa.org/docs/icsu_roa_sp_update_2009.pdf

Annex I : Main indicators of the Mediterranean countries in 1992.

	FR,ES,GR,IT	ALTUMA	Rest Mediterranean
Population (thousands)	163853	60865	229439
PIB (millions US \$ 80 ppp)	1576138	105769	582359
PIB per capita (k \$ 80 ppp)	9,62	1,74	2,54
Final Energy Cons. (ktoe)	350516	22279	126288
Per Capita Cons. (toe/cap/year)	2,14	0,37	0,55
Energy Intensity (toe/k \$ 80 ppp)	0,22	0,21	0,22
Electricity Cons. (Gwh)	714382	27240	230738
Per Capita Cons. (Mwh/cap/year)	4,36	0,45	1,01
Electric Intensity (kwh/ \$ 80 ppp)	0,45	0,26	0,40
CO2 emissions	243687	26620	114833
CO2/hab	1,49	0,44	0,50

Source : ENERDATA.

Fr, Es, Gr, It : the group France, Spain, Greece, Italy

ALTUMA : Algeria, Tunisia, Morocco

Rest Mediterranean : the Mediterranean countries except the four EC countries.

7. The Profile of energy regulatory members

The EU's renewable energy directive set national targets for renewables in order to reach a 20% share in the EU's overall energy mix by 2020 .

To ensure that the goals are reached, the directive set "indicative trajectories" - intermediate targets - for each member state. Countries are obliged to draw up national renewable energy action plans by the end of June 2010, setting out measures on how they intend to keep up with their trajectories¹⁴.

¹⁴ ([EurActiv 09/12/08](#))

The directive also offers member states the option to use 'statistical transfers' to sell excess renewable credits to another country to contribute towards their targets. But they can only do this if they meet their own intermediate targets.

Six months before handing in their national action plans, member states are due to submit to the European Commission forecast reports, estimating their potential excess production or demand for renewable sources in addition to domestic sources.

So far, twenty countries have submitted production forecasts on delivering the EU's objective of sourcing 20% of its energy from renewable sources by 2020.

In the country reports, member states estimate whether they expect production to exceed their interim domestic targets or whether they will need help from others to meet them.

Many member states, including France and the Czech Republic, said they expect to follow indicative trajectories that set midterm goals up to 2020. This means that they do not expect to need help to meet their own targets, nor to contribute towards others' goals.

A few member states announced that they expect to exceed their goals. These countries expressed an interest in transferring the volumes that exceed their indicative trajectories to other countries to help them achieve their goals. These include Sweden and Denmark, where renewables penetration is already above average. Germany and Spain also fall into that category.

Only a few nations expressed doubt as to whether they would reach their domestic production goals. Belgium said it "does not exclude the possibility of using the cooperation mechanisms" to meet its objective, while the Netherlands pledged to make "temporary efforts" to step up its energy policy "in the unlikely event" that it does not manage to keep up with its indicative trajectory.

Potential cooperation projects include **a pan-Mediterranean Solar Plan, an idea raised by France and Spain, and offshore wind parks in Germany.**

Moreover, several other countries stressed the need for further development of interconnections. Ireland called for the development of offshore grids to harness wind power, while Spain and Portugal expressed concern about the lack of electricity links between the Iberian Peninsula and the rest of Europe.

"We don't know which kind of scenarios they have already prepared, but this has to be based on something more than just these few assumptions they put in the forecast document," Bechberger added.

i. The EU's energy mix: Aiming for diversity

Securing a diverse energy mix has been identified as a key policy objective in order to shield Europe from potential external energy crises and achieve supply-security and environmental sustainability in the long term.

Although the choice of energy mix – the desired share of coal, nuclear, gas or renewables – remains in principle a matter of national sovereignty, the EU is increasingly involved in defining energy choices by setting targets on renewable energies and greenhouse-gas reduction.

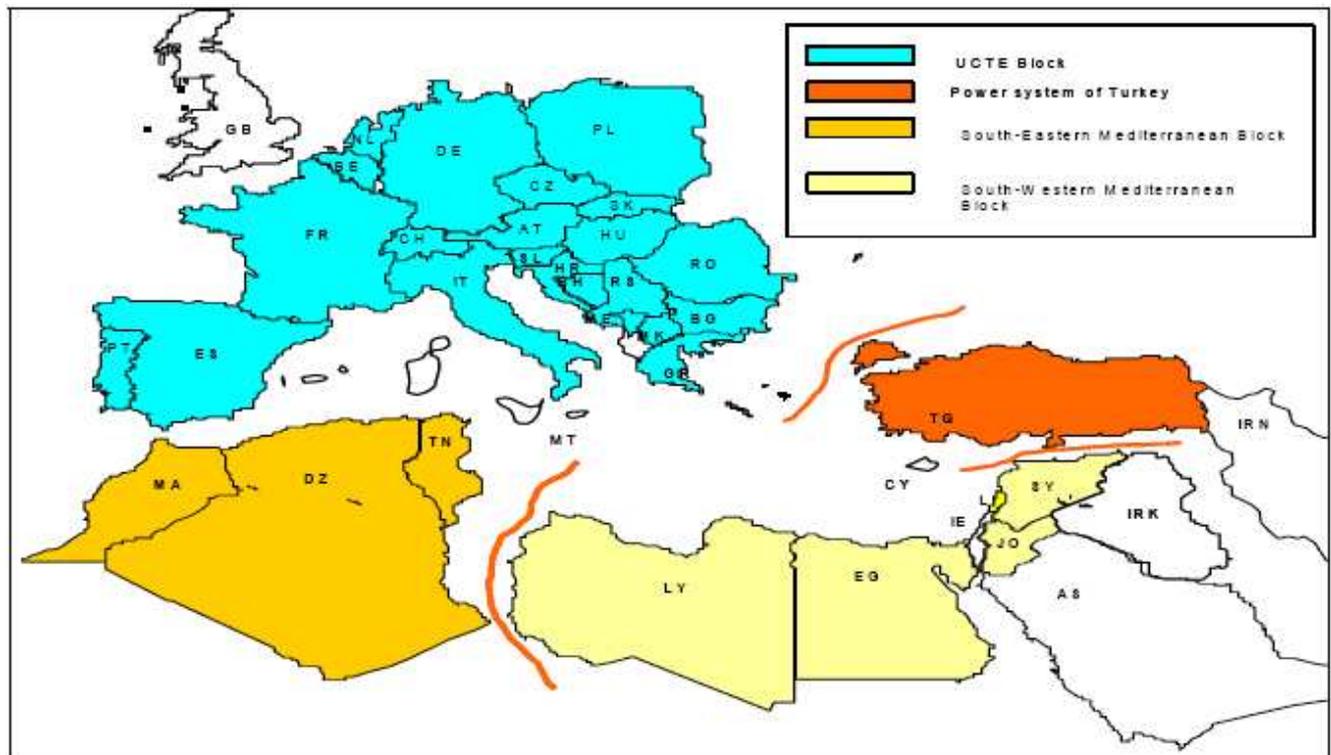
Moreover, national decisions may have an important impact on other member states. "Each member state and energy company chooses its own energy mix," the Commission stated in its 2006 Green Paper on energy. However, it added, *"choices made by one member state inevitably have an impact on the energy security of its neighbours and of the Community as a whole"*.

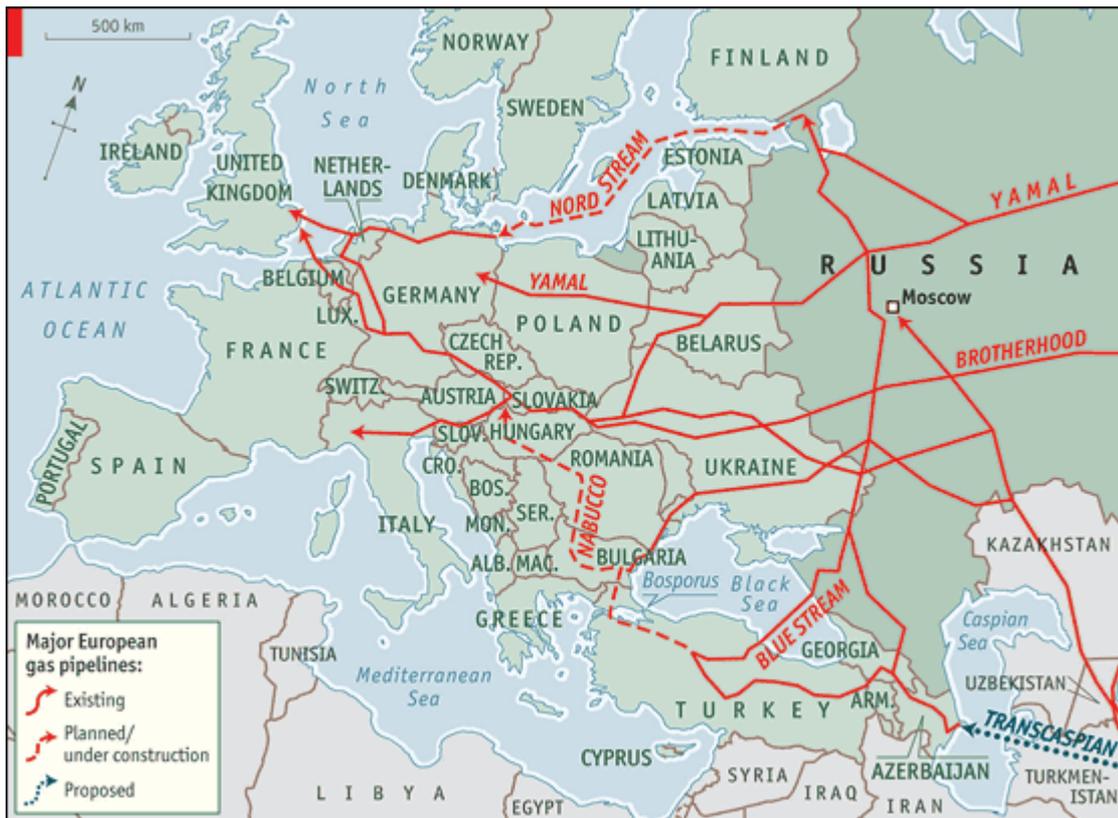
Taking **natural gas** as an example, the paper said that over-reliance on imports in one member state "would have significant effects on the security of supply of its neighbours in the event of a gas shortage". This was illustrated in January 2006, when Russia's Gazprom briefly cut off gas supplies to Ukraine, bringing Hungary, Austria and Slovakia near shortage levels and forcing the EU to intervene¹⁵. The EU's current energy mix often reflects national choices made decades ago, at a time when there was no attempt to co-ordinate energy policies at European level . In France for instance, nuclear power covers more than 40% of the country's primary energy needs,

¹⁵ ([EurActiv 4/01/06](#))

providing almost 80% of its electricity. In the UK, however, nuclear accounts for only 9% of primary energy needs and 20% of electricity.

Other countries, such as Austria, have a non-nuclear policy. By contrast, in Poland, coal is largely dominant, covering almost 58% of the country's primary energy needs and 92% of electricity.





- **Three objectives of EU energy policy**

As a result, the Commission identified a "sustainable, efficient and diverse energy mix" as a priority objective under the future common EU energy policy. A diverse energy mix, the Commission argued, means greater resilience to potential external energy shocks and shortages in imported fuels, mainly oil.

At a landmark Summit in March 2007¹⁶ EU heads of state and governments endorsed those principles, saying that the EU's energy policy should pursue three objectives simultaneously:

- Increasing **security of supply**;
- ensuring the **competitiveness** of European economies and the availability of **affordable** energy, and;
- promoting **environmental** sustainability and combating **climate change**.

These objectives, EU leaders added, should be pursued while "**fully respecting member states' choice of energy mix and sovereignty over primary energy**

¹⁶ [see summit conclusions](#)  

sources". However, some energy experts have questioned whether these goals are all attainable at the same time and suggested that they imply a number of trade-offs.

ii. Positions

The **European Commission** believes that the EU "needs a real debate on the different energy sources, including costs and contributions to climate change, to enable us to be sure that, overall, the EU's energy mix pursues the objectives of security of supply, competitiveness and sustainable development".

Europe's major business lobby, **BusinessEurope**, believes that nuclear power has a "very strong contribution" to make as a non-CO₂-producing form of power and that the EU should take steps to increase its share in electricity generation from 32% today to 40% by 2030. The group also argued that nuclear power would help bring electricity prices down for sectors such as chemicals and metals that have suffered from rising electricity prices: "An increased contribution by nuclear energy would help to promote the competitiveness of energy-intensive industries," the group said in a statement.

Eurelectric, representing European electricity producers, says that it is "vital" that policy options do "not limit countries' and companies' choice of fuels or technologies". It adds that Europe needs "a wide range of technologies that will foster energy efficiency, renewable energies, clean fossil fuels and nuclear power - which all have a role to play in the energy mix".

Euracoal, the European association for coal and lignite, believes that the abundance of coal makes it an indispensable element of the EU's energy mix. "A far-sighted energy policy has to be based on the triangle of sustainability objectives, with equal weight being given to environmental compatibility, competitiveness and security of energy supply. An equitable energy mix that has been developed under normal competitive conditions is the best way to achieve a balance between these energy policy objectives."

The European renewable energy industry association **EREC** and **Greenpeace**, the international environmental NGO, have drawn up an "energy revolution" scenario

which claims that Europe could phase out fossil fuels and nuclear power at the same time. "Half of Europe's total energy demand and more than 70% of electricity use could be covered from renewable energy sources by the year 2050 - providing us with clean, cost-effective and secure energy," said Frauke Thies, renewable energy campaigner at Greenpeace.

EWEA, the European Wind Energy Association, believes that wind could cover "almost one quarter" of EU electricity consumption by 2030 "provided that the right framework is introduced and current distortions in the EU energy markets are removed". If combined with "serious" energy efficiency measures, the share of wind energy in electricity consumption could reach 30% by 2030, it says, up from 3.3% in 2007.

Frank Van Schaik, campaign co-ordinator of the **European Petition Campaign against Nuclear Power**, said: "Euratom is distorting the market by giving unjustified financial support to a specific technology for electricity production. While the EU is in the process of internalising environmental costs of energy production by starting an emission cap-and-trade system, nuclear energy producers do not pay for the full costs of decommissioning and radioactive waste storage."

8. EURO MEDITERRANEAN INTEGRATION AND COOPERATION: PROSPECTS AND CHALLENGES

Europe and the Mediterranean countries are bound by history, geography and culture. At the crossroads of the European, African and Asian continents, the Mediterranean region⁴⁸ presents political and economic challenges that have recently re-launched the debate on Euro-Mediterranean integration and cooperation.

The 26 littoral States share geographical features and a past that has been shaped by some of the greatest civilisations of the world. Despite such elements of unity, **the Mare Nostrum has remained divided along two main fractures: "north-south" and "east-west"**.

Global interdependence has not yet reached all Mediterranean States. While the northern shore enjoys strengthened political and economic integration, deep divisions characterize the relations of southern states. Democratic and rich, the north contrasts

with the poverty and political turmoil of the south. The southern region is also plagued by a lack of infrastructure, a poorly-educated workforce and high unemployment. International and internal migration, terrorism, money laundering, organized crime, environmental degradation and human trafficking are but a few of the problems of the region.

These impediments to the region's security and economic growth can neither be confronted independently nor be viewed in isolation from one another. Regional political cooperation failures have been attributed to non-convergent national interests, conflict in the Middle East and various geopolitical factors. Sector-based cooperation and integration, however, provides an opportunity to strengthen the economic governance of the entire region.

Various international organizations and forums deal principally with Mediterranean issues. These differ mainly on the basis of their membership and composition. On occasion, membership does not include all countries within the basin, while others extend well beyond its borders. Nevertheless, a characteristic common to all is a limited mandate: each focuses on

specific objectives and priorities of regional cooperation. The littoral States also belong to other regional organizations, such as the African Union, the Arab Maghreb Union, the European Union, the League of Arab States and the Organization of the Islamic Conference. Driven by divergent agendas, membership of these organizations has often hindered the establishment of an exclusively Mediterranean Forum. Nevertheless, in the past two decades, numerous initiatives have been put forward to stimulate the concept of **Mediterranean regionalism**.

The first attempt to include the Mediterranean on the international agenda dates back to 1975. The inclusion of a Mediterranean Chapter in the Helsinki Final Act draws on the assumption that without security in the Mediterranean.

Eleven member states have constituted what has evolved to become merely a lobby of like-minded Mediterranean States, directed towards the main Euro-Mediterranean partnership: the **Barcelona Process**.

The Mediterranean region is of vital strategic importance to the EU in both political and economic terms. Since its launch in November 1995, the Barcelona Process has remained the central instrument for Euro-Mediterranean relations. With the adoption of the Barcelona Declaration, the Process aims to establish a common area of peace, stability and prosperity in the Mediterranean. It represents an innovative alliance based on the principles of joint ownership, dialogue and cooperation between the 27 Members of the EU and ten southern Mediterranean States. The Barcelona Declaration establishes a multilateral partnership built on three key areas of cooperation: the political area, the economic area and the social, human and cultural one.

The first aim of the partnership is to create a zone of peace and stability founded on the principles of democracy and respect for human rights. The intention is to generate an area of shared prosperity through the gradual development of a **free trade area** between the EU and its Mediterranean partners and among those partners themselves. A mutual understanding among the people of the region have included cultural-exchange programmes, the development of human resources and support to civil society. In 2005 migration was added as a fourth key policy area of the partnership.

To achieve sustainable and balanced socio-economic development in the region, the EU and its partners agreed to establish an economic and financial partnership based on three goals:

- Progressive establishment of a free trade area
- Implementation of appropriate economic cooperation and concerted action in the relevant areas
- Substantial increase in the EU's financial assistance to its partners.

The increase in economic cooperation and concerted action between the EU and the southern partners relates primarily to a number of important areas, which include:

- Investment and internal savings
- Industrial cooperation and support for small and medium-sized enterprises
- Environmental cooperation
- **Dialogue and cooperation in the energy sector**
- Cooperation in the area of water-resource management
- Modernization and reform of agriculture.

At the core of the cooperation under the Union for the Mediterranean remains the idea of President Sarkozy's Union of the Mediterranean: working on concrete projects.

Four proposals have already been identified by the European Commission:

maritime and land highways; depollution of the Mediterranean and sound environmental governance; civil protection; and solar energy.

The Mediterranean perspective could be seen as a Pan-European Perspective.

Because of its strategic positioning, the Mediterranean region provides opportunities for cooperation with different sub-regions within the Wider Europe.



i. Energy

Energy is a key sector for the development of the Mediterranean. Although energy-related cooperation started in the region in the 1990s, the first Euro-Mediterranean Energy Ministerial Conference and the first Energy Forum date back to 1997. The year 2003 saw the creation of the Rome Euro-Mediterranean Energy Platform (REMEP) and the signature of the declaration Euro-Maghreb and Euro-Mashrek . The

Euro-Mashrek Natural Gas Centre was established in Damascus with the aim of transferring technology and know-how in natural gas.

In 2006 MEDREG, a Permanent Mediterranean Working Group on Electricity and Natural Gas Regulation, was created to develop organized regional markets in the southern Mediterranean. At the beginning of 2007, Greece and Italy supported the creation of the Euro-Mediterranean Energy Community .

To be built on the model of the Energy Community of South-East Europe, this Community is expected to enhance energy links between the southern Mediterranean countries and the EU.

The southern Mediterranean maintains 5 per cent of the global oil and natural gas reserves, shared among Algeria, Egypt and the Libyan Arab Jamahiriya. According to the Blue Plan estimations, energy demand in the Mediterranean may increase by 65 per cent before 2025, as a result of the influence of population growth and the increase in demand associated with economic development.

The EU receives 18 per cent of its natural gas imports from Algeria, Libyan Arab Jamahiriya and Egypt. Ensuring energy supply is of primary importance to the EU, and various pipeline projects have been put forward with the aim of safeguarding the transmission of natural gas:

- **MEG pipeline**, transmitting Algerian natural gas to Spain and Portugal via Morocco (already active)
- **Medgaz**, a natural gas transmission pipeline under construction between Algeria and Spain
- **Transmed**, an underwater natural gas pipeline connecting Algeria, through Tunisia, with Italy and Slovenia
- **Green Stream**, a pipeline between the Libyan Arab Jamahiriya and Italy, operating since October 2004
- **Galsi pipeline**, an underwater natural gas pipeline to connect Algeria with Northern Italy through Sardinia.

Challenges and prospects for cooperation and integration in the energy sector in the Mediterranean are numerous. **The Mediterranean is in fact characterized by three major disparities.**

- The energy resources are concentrated in three countries of the south that face richer and more energy consuming countries of the north
- The disparity between the northern and southern Mediterranean is wider if we consider CO₂ emissions: Spain, France, Italy and Greece are responsible for 70 per cent of the total emissions of CO₂ in the region
- Renewable energies (especially wind and solar energy) are under-exploited, representing only 3 per cent of Mediterranean energy consumption. In addition, energy being wasted is estimated to range from 30 to 50 per cent, depending on the country.

The successful implementation of energy-efficiency policies must therefore go together with progress in the renewable energies sector. Likewise, improved cross-sector coordination and cooperation will also be required in order to achieve energy security, integration of internal markets, development of cross border infrastructures, and the promotion of investments in renewable energy, especially **solar energy**.

Increasingly, the characteristic interdependency of links between Europe and its Mediterranean neighbours is being replaced by a situation of inter-penetration, making cooperation between the various players even more necessary in order to secure the region's energy future.

The large number of energy problems arising in the Mediterranean Basin means each country's specific characteristics must be taken into account, concentrating cooperation efforts on shared characteristics.

The decade-long cooperation based on major investment projects in transport, production and liquefaction infrastructures can act as the basis for more structured cooperation in the context of integrated projects, as part of a logic of sustainable development.

To ensure that it succeeds, this cooperation must, as in the past, endeavour to reinforce market, transit and production area stability; it must pursue a policy of diversification and develop technologies that will guarantee resource-efficient development.

Although companies have an essential role to play in the success of this joint action, the challenges involved in Euro- Mediterranean cooperation also concern the public authorities.

ii. Conclusion

The Euro-Mediterranean Energy Partnership has been relying at the policy level on the Forum, which is a joint EU/MPC ad hoc body. The Forum has provided the long-term objectives and priorities for regional energy co-operation. However, it does not possess the means and strengths to have a continuous follow-up and interaction on multiple, complex and evolving developments and issues relevant to co-operation and the interests of EU and MPC.

Thus, an intermediate level between the Forum, and regional and bilateral projects would fulfil this gap. MED-EMIP, as a transversal interface, would be able to cover more in depth key issues, such as energy policy development, reform and data base, identification of best practices for market reforms, sustainable energy and company restructuring. A Steering Committee, made of the EC and MPC representatives will monitor the progress of the MED-EMIP project over its three-year duration.

By extension, other regional projects such as MEDREG, MEDSTAT, MED-ENEC and regional energy markets deepens the work on key topics relevant for a regional approach.

As it is clearly defined by the previous analysis , energy plays a key role in regional integration under the Barcelona process. However, there seems to be an unbalanced outcome of the EMP in the energy area. Whereas some Mediterranean countries have implemented EU regulations by liberalising for instance their gas or electricity sector, European states have not truly opened up their markets for Mediterranean companies.

However, as Schiff/Winters states *“unbalanced costs and benefits (...) makes it difficult to reach cooperative agreements”* (2002:4). Although EU energy cooperation instruments have contributed to creating energy infrastructure, a long term institutional commitment is needed, especially for managing major continuous, cross-cutting actions with no time limit. With regard to the European efforts towards integrating energy policy, the approach chosen by the European Commission is based on what academia calls the *“market & institutions”* approach (CIEP 2005:17). Yet

this economic approach does not take into account the strong state interventionism in most MPCs as well as within some EU member states, in which market-based supply and demand mechanisms do not seem to work any longer.

Market dynamics in the European Union herself have a decisive influence on the harmonization of energy preferences in EuroMed. An institutional reform of EU's Energy Policy is therefore urgent.. In any case, coordination and consistency remain the biggest challenge for achieving the regional integration potential of energy in the EuroMed Partnership.

After a condensed presentation of the Solar Power Initiative available and in view of the detailed interactions that followed, we can briefly point **to the following main conclusions:**

- 1- There was a general consensus on the importance that the Med countries start a plan for developing the use of its abundant solar resources particularly for power generation with particular emphasis not only to meet local demand but also with an important and growing potential for export to EU.
- 2- To achieve such objective, several measures have to be considered on the local side particularly towards creating an enabling environment for solar power utilization and growing development, including developing the regulatory framework which represents a prerequisite for targeted utilization. Of particular importance, is to set a support scheme for RE utilization that enable tackling the issue of local conventional energy subsidies, at least on the short to medium terms when solar power technologies become more competitive along with expected conventional energy subsidy diminishing role.
- 3- The EU and other international and regional financial institutions as well as such institutions on the local level in EU member countries, are all encouraged to offer a variety of financial packages favoring RE, such as soft loans and even grants for the early phases of development particularly on the short to medium terms to MENA region countries. Special attention should be given to establishing the needed infrastructure for grids interconnections between EU and MENA which would enable medium to long term export of RE electricity from MENA deserts to EU countries.

- 4- Innovative financing mechanisms should be sought and developed to enable gradual and growing expansion of RES – E use where green certificate trading scheme would offer a very encouraging and ever developing means to support such objective.

The EU's Mediterranean Solar Plan aims to reach 20GW of new renewable energy production and achieve significant energy savings around the Mediterranean by 2020, EU Commissioner for External Relations and European Neighbourhood Policy Benita Ferrero-Waldner has told the Third European Renewable Energy Policy Conference in Brussels.

“Renewable energy and in particular solar energy, offers a real ‘win-win-win’ for the EU and the Mediterranean in terms of energy security, economic and social development, and the welfare of our planet,” she said in her speech, adding: *“The development of an integrated and interconnected Green Energy Market with the Mediterranean will provide cleaner energy resources, help address the rapidly growing energy demand across the entire Mediterranean region and improve local access to energy services where needed... The implementation of the Mediterranean Solar Plan will be an important part of this project.”*

The Commissioner pointed out that the EU and the Mediterranean had one of the world's biggest potential markets for renewable energy. *“Our co-operation makes sense on a number of levels – the EU has significant experience and know-how in renewable energies, whilst the potential for renewable energies in the Mediterranean is enormous.”* The Commission, she went on, was already assisting the EU's partners in North Africa, the Middle East and the Gulf, through a number of bilateral and regional initiatives, to boost their renewable energy potential and in particular solar.

She said the **Mediterranean Solar Plan would also develop electricity grid interconnections and foster the transfer of know-how and technology**, adding the EU renewable energy directive would offer key incentives for facilitating the implementation of the Mediterranean Solar Plan by providing for the import of ‘green electricity’ from third countries to the EU.

The EU funds a number of regional Mediterranean energy projects under the ENPI, such as the Euro-Mediterranean energy market integration project (Med-Emip), the integration of electricity markets in the Maghreb project, the project on energy efficiency cooperation (MedEneC), and the cooperation project of Euro-Mediterranean energy regulators (MedReg).

Source : ENPI

Project

MED-REG II– Energy regulators

Supports the development of a modern and efficient energy regulatory framework in the Mediterranean Partner Countries and strengthens their cooperation with EU energy regulators

Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Occupied Palestinian Territory, Syria, Tunisia, Turkey

Timeframe: 2010-2012

Budget: €919,200

Objectives

The project aims at strengthening cooperation between the EU energy regulators and those of the Mediterranean Partner Countries helping them to develop a modern and efficient regulatory framework. This is important for the setting up of an integrated Euro-Mediterranean energy market.

The project "Support to Cooperation between the Euro-Mediterranean Energy Regulators (MEDREG II)" endeavours to facilitate information exchanges and concerted approaches between EU and Partner Countries' regulators, assist the Mediterranean countries in establishing independent energy regulators, empowering those which already exist, and developing the technical capacities of their staff. This second phase follows up from work started under [MED-REG I](#) in 2008-2009.

What does it do?

The project focuses on the creation of a network for information exchange and assistance between EU and Mediterranean Partner Countries regulators. It supports the transfer of knowledge, as well as the signature of Memoranda of Understanding and/or Recommendations on the minimum competencies and requirements that Euro-Mediterranean Regulatory Authorities would need in order to reach a consistent, harmonized and investment-friendly regulatory framework.

Its main activities are carried out through the General Assembly and ad-hoc groups, comprising officials working within the national regulatory authorities. It will organise the training of Mediterranean Regulatory Authorities' staff by the Florence School of Regulation. MEDREG action will result in consolidation of the network of EuroMed energy regulators and implementation of minimum competences and organisational structure of Euro-Mediterranean Regulatory Authorities.

Actions in brief

- ◆ Facilitates information exchanges and concerted approaches between EU and Partner Country regulators.
 - Assists the Mediterranean Partner Countries establish independent energy regulators and develops their capacity.
 - Supports the transfer of knowledge, mainly through the General Assembly and ad-hoc groups.
 - Consolidates a network of EuroMed energy regulators.

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Useful Links

- “*Barcelona Declaration*”, available at http://europa.eu.int/comm/external_relations/euromed/bd.htm
- **Barents 2010:** <http://www.barents2010.net>
- **Barents Euro-Arctic Cooperation:** “*Protocol Agreement from the Statutory Meeting of the Regional Council of the Barents Region, 11 January 1993*”. Available at http://www.beac.st/_upl/doc/501_doc_Statutory%20Meeting%20Regional%20Council.doc
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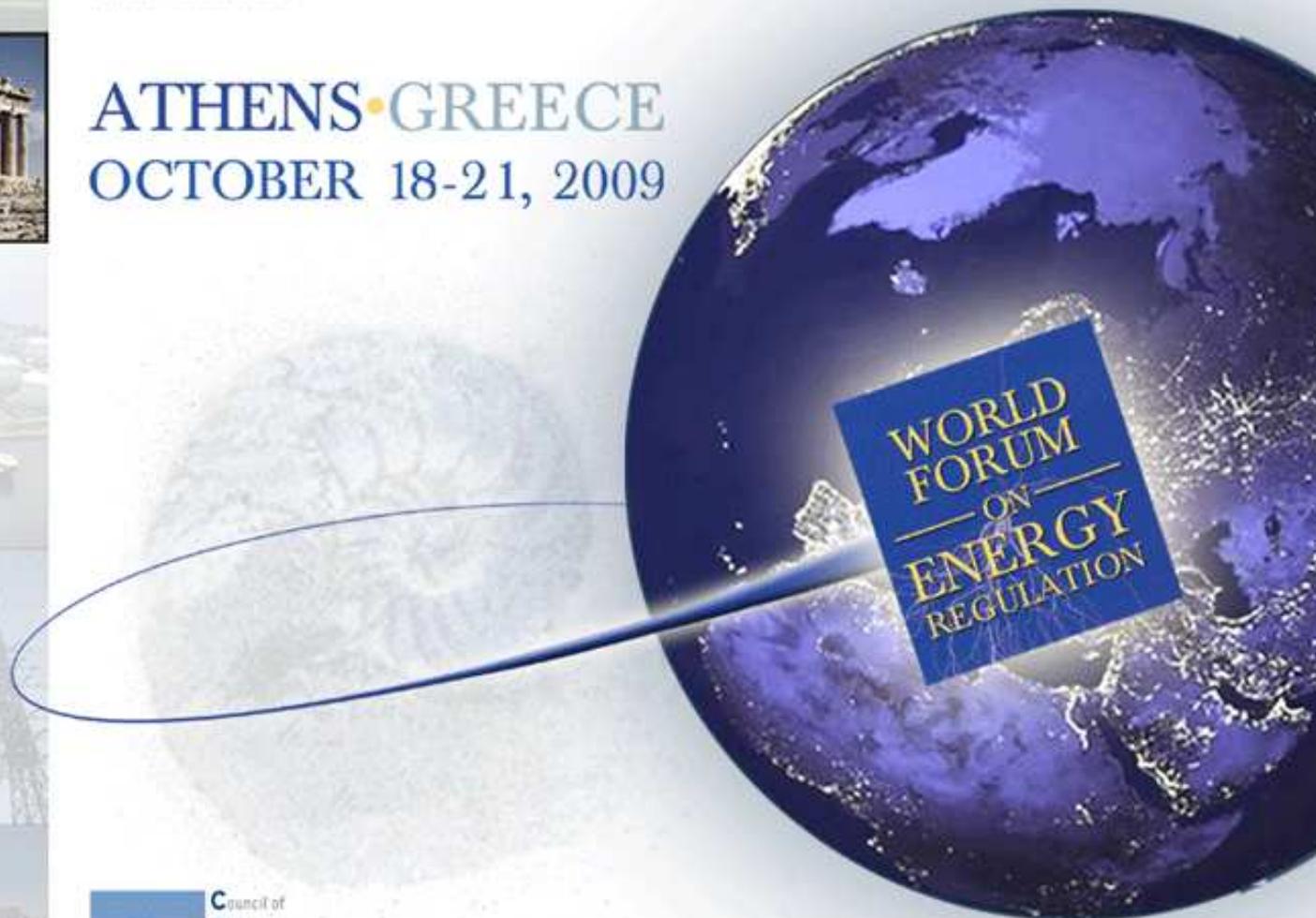
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