

Brussels, 2 December 2008

Energy cooperation in the Mediterranean - What is the Commission doing? - Focus on Egypt

Southern Mediterranean holds an important potential for enhancing energy security for the EU not only in terms of conventional energy sources (gas and oil reserves in Algeria, Egypt and Libya) but also for development of renewable energy sources (in particular solar and wind) in view of future exports of “green electricity” to the EU.

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.

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 Euromed energy market. The main organs of the Euromed 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.

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). 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.

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.

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.

The Medstat II Energy Component aims since January 2006 to harmonise the energy statistics systems in MEDA partner countries and provide them with adequate tools for monitoring energy sector evolution and developing long-term energy provisions and strategies. It is expected to be completed in December 2009 with a follow up project under preparation

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.

The Regional Centre of Excellence for Renewable Energy and Energy Efficiency (RCREEE) focuses on facilitating development of renewable energy sources and promoting energy efficiency measures in the Southern Mediterranean partner countries. Based in Cairo, it is co-funded by the Commission (through the Med-Emip project of €4 million), Denmark and Germany and it has been launched in 2008.

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. 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.

EU-Egypt energy cooperation

The 2007-2010 Community assistance to Egypt includes support to energy sector reform. The largest part thereof targets legal and regulatory approximation and institution building, as well as promoting investment in energy through interest rates subsidies for loans from the European Investment Bank and other financial institutions.

The following activities are examples of what is underway or in the pipeline, amounting to almost €12 million in bilateral and €20 million in regional support:

- Support to the Egyptian Electric Utility and Consumer Protection Regulatory Agency, through technical assistance to the regulator's capacity-building and support in the preparation of manuals and regulations for the planned opening up of the energy market from 2009.
- Support to building the capacity of the Egyptian Atomic Energy Authority (EAEA) and its Nuclear Radiation and Regulatory Authority, to be launched in 2009.
- In 2008 the Neighbourhood Investment Fund provided financing for the Gulf of El Zeit Wind Power Plant.

The current 7th Framework Programme (2007-2013) could be another funding opportunity for Egypt. Under the previous Framework Programme (2002-2006), Egyptian R&TD community participated in 9 energy-related projects with over €1 million of Community support.

Today's Memorandum of Understanding will enhance EU-Egypt energy cooperation, in key areas such as energy market reforms and convergence of Egypt's energy market with that of the EU, promotion of renewable energy and energy efficiency, development of energy networks as well as technological and industrial cooperation¹.

For more information see [IP/08/1854](#).

¹ See [IP/08/1854](#) **EU and Egypt sign agreement on Energy**, 2 December 2008.