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**COMMUNICATION FROM THE COMMISSION TO THE  
EUROPEAN PARLIAMENT AND THE COUNCIL  
CONCERNING THE EURO-MEDITERRANEAN PARTNERSHIP IN THE  
ENERGY SECTOR**

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**1. GENERAL BACKGROUND**

1. The Euro-Mediterranean Conference in Barcelona on 27 and 28 November 1995 marked the start of a new partnership to establish a haven of peace and stability and an economic area based on free trade and closer economic and financial cooperation. The political, economic and social principles which will guide relations between the European Union and its Mediterranean partners are set out in the Barcelona Declaration adopted at the Conference.<sup>(1)</sup>

In this general context, the objectives set for this economic and financial partnership were:

- to accelerate the pace of sustainable socio-economic development;
  - to improve the living conditions of the populations, increase the employment level and reduce the development gap in the Mediterranean region;
  - to encourage regional cooperation and integration.
2. The pivotal role played by the energy sector was acknowledged. It was therefore decided to strengthen cooperation and intensify the dialogue in the field of energy policies and to help to create the appropriate framework conditions for investments and the activities of energy companies.

This general framework must meet the mutual interests of all the parties. The cooperation in the energy field must, therefore, fit into this framework although, in itself, it meets these mutual interests in that, by contributing to the Community's security of supply and to meeting the Mediterranean partners' socio-economic development needs, it is in the interest of the entire region; in particular, it encourages investment in measures to manage energy consumption and production and contributes to sustainable development since energy has a decisive influence on the fundamental parameters for economic and social cohesion, namely economic activity, the environment and the standard of living.

But these mutual interests in the energy field extend beyond the strictly Mediterranean region. In particular, this region is an important transit route for energy products and, as such, also contributes to the Community's security of

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<sup>(1)</sup> Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestinian Authority, Syria, Tunisia and Turkey.

supply. Consequently, the political, economic and social stability of this region is also essential to safeguard this transit route.

3. One consequence of this strategic function is that cooperation with the Mediterranean countries in the energy field will not be possible without also taking account of the interests of the regions beyond and of the cooperation with these regions which could be affected or, in any event, concerned by the cooperation with the Mediterranean countries. These include the Gulf countries and the Black Sea and Caspian Sea countries. As the Community is heavily committed to a policy of cooperation with the countries and organizations in these regions, it will have to ensure balanced development of this cooperation and keep each of the parties satisfactorily informed.
4. Parallel to the Barcelona Conference, a Euro-Mediterranean Civil Forum was also held. This event demonstrated, once again, the close link between energy issues and their impact on economic and social development in the countries concerned. This same commitment on the part of the civil sector to the Euro-Mediterranean partnership was expressed at the Conference on the importance of energy for social development, held in Madrid on 22-23 February 1996 by the International Federation of Trade Unions of Workers in the Chemical, Energy, Mining and Miscellaneous Industries, i.e. the Euro-Mediterranean trade unions.
5. The efforts to develop a consistent policy on energy cooperation with the Mediterranean countries must also fit in with the energy policy established for the Community, as outlined in the Commission White Paper,<sup>(2)</sup> based on common objectives and mobilizing all the Community instruments:
  - The Community's energy policy, based on integration of the energy markets and of the infrastructure for transporting energy products, must provide consumers with greater security of supply in the Community, by stepping up the cooperation with the supplier countries, and at the same time support energy companies in the Union in their strategy on investment and transfer of technologies in the countries in the region.
  - The measures taken to implement the energy policy must mobilize all the Community instruments, particularly those for economic cooperation, research and development policy and the financial instruments for general or regional purposes.

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<sup>(2)</sup> Communication of 14 December 1995 from the Commission on an energy policy for the European Union (COM(95) 682).

## 2. THE ENERGY CONTEXT

6. The distinctive features of the energy context in the region are its substantial energy resources, in the form of the oil and gas fields closest to the Community market apart from the North Sea resources, plus the potential increase in energy consumption, which poses both economic and environmental challenges.<sup>(3)</sup>

(i) Energy potential in the region

7. The region's reserves are amongst the largest in the world, but it has not been possible to harness them fully, principally due to the economic and political context in the producing countries in the region. Euro-Mediterranean cooperation in the energy sector is designed to create the conditions to remedy this.

- Crude oil reserves in the region were estimated at 6 030 million tonnes in 1993; Algeria, Egypt, Syria and Tunisia are the Euro-Mediterranean partners concerned; Libya alone holds 50% of the reserves.
- The proven natural gas reserves are of the same order of magnitude at 5 650 billion m<sup>3</sup> (5 085 million toe). They are located in the same regions as the oil reserves. Algeria is the leading natural gas producer with 64% of the reserves, followed by Libya, Egypt, Syria and Tunisia.

According to some experts, the undiscovered reserves could total over 3 300 million tonnes of oil and condensates and 3 400 billion m<sup>3</sup> of natural gas. A big effort could therefore be made on oil and gas prospecting.

8. The existing infrastructure has the capacity for annual exports of 162 million tonnes of oil and 37 billion m<sup>3</sup> of natural gas. A substantial proportion of Algeria's natural gas exports to the European Community take the form of LNG. The principal destination is the European Union market, which takes 92 million tonnes of oil and oil products and 35 billion m<sup>3</sup> of natural gas.

- The Mediterranean oil producers supply approximately a quarter of the European Union's requirements. As the oil pipelines are developed, they will also become an important transit route.
- As for natural gas, the European Community imports 10% of its requirements from the Mediterranean partners, principally Algeria, which also supplies almost all the LNG imported into the Community. Despite the gas transmission infrastructure developed within the Community, the Community will become more dependent on outside gas supplies as consumption grows. Consequently, with the development of link-ups

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<sup>(3)</sup> Taken partly from the Commission staff working paper entitled "European Energy to 2020: A Scenario Approach", December 1995 (SEC(95)2283).

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within the Community, production from the Mediterranean countries must improve security of supply within the Community.

The wide disparities in energy resources between the Mediterranean partners should lead to link-ups for gas, oil and electricity transmission.

9. The Cairo Conference in September 1995 estimated the investment needed in energy production, transmission and distribution infrastructure over the next 25 years at ECU 192 300 million. This would be equivalent to 12% of the Mediterranean partners' GDP over the same period.

The availability of fossil fuel resources in this region must not overshadow the potential offered by renewable energy sources.

In the Southern and Eastern Mediterranean countries renewable energy sources account for 9.5% of the primary energy balance. Solar energy and wind power offer the greatest potential. Biomass also shows considerable potential, but it is difficult to estimate.

(ii) Demand growth prospects

10. Population growth prospects are high in the Mediterranean partners' societies, although they differ from one country to another: by 2020 the population is expected to grow from 200 million today to 340 million. This population will be concentrated principally in urban areas, leading to serious environmental problems: waste, air pollution, lack of drinking water, etc. In response, the countries primarily concerned should create 2.4 million jobs every year for the next 15 years, whereas at the moment they are creating just 1.7 million, without taking account of the increasing number of female workers entering the labour market. This demographic situation alone will affect consumption growth and, consequently, the environmental risks.
11. (a) In most of the Mediterranean partners, per capita energy consumption is extremely low (0.9 toe compared with 3.0 in the Northern Mediterranean Community Member States). Levels such as this are incompatible with the economic development which the Euro-Mediterranean partnership wishes to promote. On current trends, demand for energy, particularly for transport and electricity generation, could rise from 155 million toe in 1992 to around 458 million toe by 2020. This could imply strong growth in oil production in order to finance economic development.

Demand for electricity could rise by 5% per year over the same period (compared with just 1% in the Community) to 920 TWh by 2020 compared with 194 TWh today. However, allowing for the population growth, per capita consumption is likely to remain relatively low (2650 kWh) compared with the current level in the Community (6000 kWh).

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12. (b) This growing energy consumption immediately gives cause for concern about the environmental risks which, in the Mediterranean region, include the added risk of pollution of a virtually landlocked sea which, above all, is shared by all the countries in this partnership.

- In a "business as usual" scenario CO<sub>2</sub> emissions in the Community are expected to rise from 3150 million tonnes in 1990 to 3721 million tonnes in 2020, i.e. by around 18%.<sup>(4)</sup> In the Mediterranean partners, they could triple from 287 million tonnes in 1990 to 929 million tonnes in 2020.
- As a transit route for energy products, particularly for tankers, with big cities and industrial complexes developing along its coasts, the Mediterranean region is particularly exposed to the risk of pollution caused by the transport and use of energy products. Every year oil tankers spill 650 000 tonnes of oil into the Mediterranean Sea. The rivers too are highly contaminated and the principal deltas are fragile.
- The Mediterranean partners suffer the biggest water shortages in the world: 60% of their renewable aquifers are overexploited and on course to run dry in the medium term. Besides drastic environmental measures to protect fresh water, energy is the only answer to the need for desalination of sea water.
- The growing consumption cannot be satisfied by fossil fuels alone. In the Mediterranean countries renewable energy sources will also contribute to solving this problem and, more generally, the environmental protection problems created by energy production and consumption.

### 3. ACTION PROGRAMME

13. Given the strategic importance of the energy sector and the pivotal function of cooperation in this field, the Barcelona Conference was preceded by a series of preparatory events to mobilize the Community institutions, industry and Mediterranean partners:

- At the Council meeting on energy on 1 June 1995, the Presidency asked the Commission to "assign appropriate financial resources to the objectives identified, within the framework of the financial resources to be allocated

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<sup>(4)</sup> CO<sub>2</sub> emissions are covered by the Convention on Climate Change, which was ratified in December 1993. An international protocol is being prepared with a view to further reductions beyond the year 2000. The Community in turn has adopted a strategy to stabilize emissions at 1990 levels by 2000.

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by the European Community to its framework programme for partnership with the countries of the Southern and Eastern Mediterranean."

- At a meeting in Athens on 6 and 7 July 1995, the European Commission and the Mediterranean partners concluded that it was necessary to define a Euro-Mediterranean action plan in the energy sector and to establish a forum to monitor it.
- At their meeting with the Economic and Social Committee of the European Communities on 19 October 1995, the representatives of the Southern and Eastern Mediterranean states recommended that the energy sector should be one of the specific fields for Euro-Mediterranean cooperation.
- At a meeting in Madrid on 20 November 1995, the energy ministers from Spain, France and Italy and representatives of the Mediterranean partners, of certain European Union Member States and of the European Commission declared that in order to promote energy projects, appropriate instruments should be introduced. The introduction of a specific chapter on energy in the MEDA Programme would demonstrate the importance which Europe attaches to the energy sector in the Mediterranean region.

14. In this context, the SYNERGY programme has allowed a start to be made on pilot cooperation projects over the last three years. Some of these lay the foundation for the general action to be taken on energy in the Euro-Mediterranean partnership:

- The action plan on energy and the urban environment in the Mediterranean region which emerged from the Athens Conference in November 1993 established cooperation with Southern Mediterranean cities on energy management and environmental protection.
- The Palestinian Energy Centre set up on 28 December 1993 by decision of President Arafat has been receiving financial support and technical assistance since then under the SYNERGY programme. The Palestinian Energy Centre assists the Palestinian Authority on energy and environmental issues, particularly on drafting a legal framework, planning, coordination and monitoring of projects.
- The Tunis Conference in March 1995 brought together representatives of the non-European Union Mediterranean countries to evaluate the energy situation in the region and suggest subjects and priorities for regional cooperation.
- The Cairo Conference held in September 1995, in conjunction with the World Bank and the Mediterranean Energy Observatory, raised the

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problem of funding energy projects in the region and proposed greater mobilization of savings to this end.

15. The JOULE-THERMIE programme has also allowed closer industrial cooperation with the Mediterranean partners, in most cases with local support: the Madrid (1995) and Athens (1996) Conferences on renewable energy sources in this region, funded by the THERMIE programme, made recommendations on faster dissemination of renewable energy sources.

### **3.1 Fields of cooperation**

16. The economic partnership objectives set by the Barcelona Declaration adopted at the Conference provide for participation in:

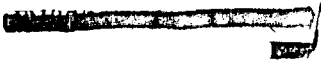
- assisting with the economic transition (establishment of a free trade area, encouragement of the private sector and of private investment by Europe and upgrading of economic infrastructure);
- helping to achieve a better socio-economic balance (by improving social services, promoting harmonious, integrated rural development and environmental protection);
- supporting regional and transfrontier cooperation.

17. These three objectives call for closer cooperation in the following fields:

(i) **On energy policy, with a view in particular:**

- to establish a regional forum for developing consistent energy policies. To this end, more regular meetings must be organized between institutions and experts from the European Union and the Mediterranean partners, within a more structured framework;
- to develop energy planning tools based on the highly complementary nature of the Northern and Southern Mediterranean markets and supply networks;
- to increase trade in energy products. An appropriate legal framework should be devised to encourage and promote regional and transregional trade;
- to provide greater security for private investment in energy resources and networks to create a climate conducive to removing the obstacles to investment, in order to stimulate private investment and to modernize and restructure the industry and the existing infrastructure and to promote renewable energy sources under satisfactory economic conditions;



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- jointly to combat the greenhouse effect and climate change by stabilizing emissions at regional level.

18. (ii) On **infrastructure and networks**, with a view, in particular, to developing and linking up the energy networks in the various regions around the Mediterranean.

The action being taken by the Community on major gas and electricity transmission infrastructure, after identifying projects of common interest, must in turn make investments in the Mediterranean partners more secure, from the economic point of view. Not only do gas supplies depend on the availability of transmission networks in these countries, but also the efficiency of the electricity grids in the Mediterranean region depends on good interconnection and, in the long term, the establishment of a network around the Mediterranean allowing good use of generating capacity.

19. Once such link-ups have been recognized as in the Community's common interest, they can be eligible for the Community funding provided for by the Regulation on financial aid in the field of trans-European networks, particularly in the form of joint funding for feasibility studies on energy projects.<sup>(5)</sup> Based on the decision expected from Parliament and the Council on the Community guidelines on trans-European energy networks, the Commission will propose to the Council that the 12 partners participating in the Barcelona Conference recognize these projects as in their mutual interest, within the framework of the partnership agreements.

In general, it is important to coordinate the Euro-Mediterranean activities and the assistance instruments already established by the TACIS programme for the Central Asian countries.

The Community has identified a series of trans-European energy network projects which it considers to be of common interest.<sup>(6)</sup>

20. Several of the projects of common interest identified concern the Mediterranean region and are designed to establish or upgrade the electricity and gas interconnections between the European Union and the Mediterranean partners, namely:

- electricity networks: Spain-Morocco; Greece-Turkey;

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<sup>(5)</sup> Council Regulation (EC) No 2236/95 of 18 September 1995 (OJ No L 228, 23.9.1995).

<sup>(6)</sup> Council common position of 29 June 1995 and European Parliament opinion of 26 October 1995 at second reading on the proposal for a European Parliament and Council Decision laying down a series of guidelines on trans-European energy networks (COM(93)685).

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- gas networks: Algeria - Spain - Portugal - France;  
Algeria-Tunisia-Italy.

Depending on energy demand trends in the Union and its Mediterranean partners and on the pace of development and location of natural gas and electricity production, other projects concerning the Mediterranean region could be ready within the next few years<sup>(7)</sup>:

- electricity networks: Italy-Tunisia; Morocco-Algeria-Tunisia;  
Turkey-Syria;
- gas networks: upgrading of existing gas pipelines;  
gas pipeline from the Libyan gasfields;  
gas transmission pipeline from Central  
Asia/Iran via Turkey.

21. The Mediterranean countries have also started a number of projects which will improve gas and electricity supplies:

- electricity networks: Morocco-Algeria-Tunisia-Libya; Libya-  
Egypt; Egypt-Jordan; Jordan-Syria-Turkey;  
Egypt-Israel-Palestinian Authority-Jordan.
- gas networks: Morocco, Algeria, Egypt-neighbouring  
countries.

The networks connecting the Member States and the partner countries will have to satisfy the existing Community standards on environmental impact assessments. A similar approach is also recommended for projects confined to the partner countries alone.

22. (iii) On **industrial cooperation and RTD** with a view, in particular, to promoting RTD and investment with the aid of partnerships on renewable energy sources and energy efficiency, water treatment and management, oil prospecting, production, refining and distribution, and electricity generation, transmission and distribution:

- the funding required to develop electricity capacity is one of the most important aspects of cooperation between the two regions, particularly in view of the need for technology transfers, notably

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<sup>(7)</sup> Iran and Libya do not benefit from any Community financing neither can be eligible under the MEDA programme.

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for environmentally sustainable use of coal and to reinforce production and transmission infrastructure;

- closer cooperation on energy RTD is one of the key areas for scientific and technical cooperation with the Mediterranean countries and, hence, is being examined carefully by the Monitoring Committee set up to reinforce the Mediterranean partnership policy in the research field. At its meeting on research on 25 March 1996 the Council stressed the importance of this policy and, in this context, of the role of the Monitoring Committee. Energy RTD can be undertaken under existing programmes such as JOULE-THERMIE (non-nuclear energy) and INCO (cooperation with non-member countries). The THERMIE programme, in particular, provides a means of disseminating technologies, on the initiative of bodies or industries in the Member States or associated States;
  
- cooperation in the field of standardization should facilitate investment in link-ups and, as in the Community, in renewable energy sources. In 1990, with the support of the European Community, the European Committee for Standardization (CEN) established a unit with the dual role of supplying third countries with the information which they need on European standardization and providing support on standardization to the countries which wish it. Tunisia, Malta and Israel have already availed themselves of the services of this unit. At the same time as encouraging standardization work on energy efficiency and renewable sources to implement the White Paper on energy policy, the Commission will examine ways of extending the unit's activities to these two fields as well.

### 3.2 Security of investment

23. Given the microeconomic and macroeconomic constraints on undertakings and on the Southern and Eastern Mediterranean States, increasingly the funding requirements will have to be covered by calling on private investment. This presupposes projects profitable enough to attract local or international private investors on the one hand and a general framework providing sufficient protection against the risks on the other.
  
24. Energy-related investments are often strategic and determine economic and social development, particularly if they are intended to meet local requirements. It is therefore necessary to create a favourable environment in order to promote such investment by starting or continuing reforms of the Mediterranean partners' energy industries. This should improve operation of the markets and provide the possibility to generate investment capacity in the long term. However, most of these countries find it difficult to satisfy this trend and numerous disparities

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remain between them. This calls for a specific approach, drawing on various instruments and different from those followed in other parts of the world.

25. The major obstacles militating against funding energy projects in this region are generally considered to be:

- the absence of a sufficiently detailed institutional framework;
- the political risks;
- the exchange rate risks;
- the difficulty of drawing on local savings;
- the complexity of organizing projects.

26. Today's arrangements on technical cooperation, exchanges of know-how and supply agreements between the leading undertakings from the Mediterranean partners raise numerous difficulties for operating in a climate of true cooperation and joint investment. Uniform regulatory and contractual conditions must therefore be defined to encourage investments by foreign firms. The Mediterranean partners must not only open up their markets but also adopt rules which are as uniform as possible so that undertakings do not have to adapt to different regulatory frameworks in each country.

(i) European Energy Charter

27. Association of Mediterranean countries with the Treaty on the European Energy Charter is mentioned in the work programme adopted at the Barcelona Conference as one of the means of creating appropriate conditions for investment in and activities by energy companies.


The objective of the Charter Treaty is to promote access to resources, trade and investment in the energy sector. It contributes to security of production and supply and pays particular attention to environmental protection, notably in the form of the Protocol on energy efficiency.

For private investors, the Treaty offers a stable, non-discriminatory legal framework removing the obstacles to investment, facilitating negotiations and opening up new prospects. Certainty that the signatory countries will honour their commitments to foreign investors is provided in the form of acceptance of international arbitration in the event of any dispute. This will make the energy industries more competitive in attracting investment.

28. Consequently, the Charter would provide a satisfactory response to any investment risks. However, the Commission considers that certain precautions must be taken before proposing that the Mediterranean partners which have not yet signed the Treaty do so:<sup>(8)</sup>

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<sup>(8)</sup> Cyprus, Malta and Turkey are the Mediterranean partners which have signed the Charter Treaty.

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- the Charter Treaty was designed for a specifically pan-European situation, tailored to the eastern European countries' economies in transition and to the role played by most Central and Eastern European countries as transit routes for gas and oil on its way to the consumer countries. However, most of the Mediterranean partners are not yet in the situation of energy interdependence found in Europe;
  - transit of energy products was one of the key issues dealt with carefully during the negotiations on the Charter Treaty and is one of the fundamental components of the Treaty. But in the Mediterranean region this transit role is limited by the underdevelopment of the networks;
  - the Treaty was negotiated in response to the lack of a framework for cooperation and of rules on trade and establishment; the Association Agreements which the Community is concluding in the Euro-Mediterranean region will answer this concern; moreover, some of the Mediterranean partners are participating in the World Trade Organization.<sup>(9)</sup> Under these circumstances, their accession to the Charter Treaty would make little difference to the existing legal environment.

29. Despite this, it nevertheless seems less efficient to add more frameworks for cooperation, all the more so bearing in mind that some of the Mediterranean partners have signed the Charter Treaty. However, enlargement of the Charter Conference would be sure to affect the efficiency of this body, which started operation this year. For this reason, the Community should opt instead for a gradual approach using the flexibility allowed by the Treaty to start with observer status and then progress to associated membership and, finally, full membership.

- Observer status makes it possible, for example, to keep oil and natural gas exporting countries fully informed of the content of the agreements negotiated between the signatories on the subjects of importance to them.

Non-signatories can also participate actively in the meetings of the Conference and its subsidiary bodies as non-voting observers, on payment of a contribution.

- Associated member status allows the countries and international organizations concerned to participate and implement certain provisions of the Treaty, after negotiating with the Charter Conference the extent and degree to which they wish to participate. As with observer status, the Treaty contains no provisions which explicitly place an obligation on the associated countries to sign the Charter. The content of the Association

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Algeria, Morocco and Tunisia have been invited to sit in as observers on all the work of the Conference.

<sup>(9)</sup> Cyprus, Israel, Malta, Morocco, Tunisia and Turkey.

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Agreement should be defined during the negotiations and approved unanimously by the Conference.

- By contrast, signature of the Charter is a prerequisite before accession to the Treaty. The conditions for accession must be approved unanimously.

30. The Commission should therefore support consultations with the Mediterranean partners on their eventual participation in the work of the Charter Conference if they are not yet members thereof. This move should be prepared with all concerned, primarily with the members of the Charter Conference.

In due course, the experience built up with implementation of the Charter and of the associated Treaty and the analyses by the Mediterranean countries of the characteristics of the Charter and of the means used in it to attain the objectives could prompt these countries to join as associated members or full members, depending on their individual interests.

The Mediterranean partners' attitude on accession to the Treaty depends, primarily, on their choice. They will not be able to make this until they know the benefits which the Charter can bring them. Together with the Charter Secretariat, the Commission will organize a briefing session for the Mediterranean partners and industrial circles concerned.

(ii) Analysis of potential options to facilitate investment

31. Clearly, establishment of a stable legal environment encouraging market forces must be a priority in order to encourage investment growth. However, certain partners' economic and political situation offers no prospect of rapid, substantial progress on this point in the short term.

The Commission will study the options already available or which should be developed to facilitate investment in the Mediterranean partners. This study will include an assessment of the risks and uncertainties which limit investment at the moment, the financing methods available and ways of providing better cover for investment risks. It should identify the best means of safeguarding this type of investment specifically in the energy sector while meeting the objectives of the Euro-Mediterranean cooperation.

3.3 **Organization of the cooperation**

32. The Euro-Mediterranean cooperation must be organized securely and efficiently so that common interests can be taken into account. The foundation must be laid for transfers of experience and know-how and dialogue between the Community and the Mediterranean partners on issues concerning energy policy and strategy, energy prices, training, project funding, the institutional framework and management of the action plans, and environmental protection.

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Two instruments will be set up to organize and monitor the cooperation: the Euro-Mediterranean Energy Forum and financial resources.

(i) Euro-Mediterranean Energy Forum

33. At their meeting in Athens on 6 and 7 July 1995 the participants accepted the principle of setting up a Forum for Euro-Mediterranean energy cooperation. This would have two principal objectives:
- to structure the cooperation between the European Community and the Mediterranean partners by promoting inter-administration networks on the one hand and data interchange and dialogue with the industry on the other, taking due account of the interrelation between energy and the environment with a view to sustainable development;
  - to develop the transparent mechanisms necessary for the projects envisaged.
34. Establishment of such a Forum is warranted by the fact that the framework created by the Barcelona Conference does not provide with a structure specifically for energy-related issues (transfer of know-how, exchanges of information, better use of oil, gas and coal, development of energy networks, improvements in energy efficiency, promotion of renewable energy sources and environmental protection). Without calling into question the general cooperation arrangements made by the Barcelona Conference or the bilateral agreements, the administrations concerned must be given a means of meeting and developing joint strategies or cooperation projects under the responsibility of the Ministerial Conference.

(a) *Composition and operation of the Forum*

35. The Forum is a body for political dialogue with the energy authorities at ministerial and/or administration level from the various partners in the Euro-Mediterranean cooperation. Its efficiency will depend on its membership, consisting of representatives of the participating States who will then be responsible, in turn, for implementing the cooperation measures in their own countries and promoting projects of common interest between them.

The Forum must operate in accordance with the guidelines issued by the Euro-Mediterranean Ministerial Conference. The Ministerial Conference provided for by the Barcelona Conference for monitoring Euro-Mediterranean cooperation must coordinate the activities of the Forum with the other bodies set up for cooperation at Euro-Mediterranean level and its powers must fit in with those conferred on the Euro-Mediterranean Monitoring Committee for RTD.

36. The Commission is willing to provide every possible assistance for effective operation of this Forum. However, it considers that in any partnership all the partners must take their share of the responsibility and, accordingly, will make

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arrangements with its partners for them to participate in the Forum on acceptable terms.

37. Since the energy cooperation must involve circles outside the Forum, whether financial institutions, undertakings or trade unions, the Forum's rules of procedure will have to allow these outside partners to voice their views. The Commission in turn will support all appropriate initiatives to facilitate collaboration by industry and the trade unions from the north and south of the Mediterranean in the Forum's work.

*(b) Tasks of the Forum*

38. The Forum's first task will be to provide all parties concerned with a permanent framework for dialogue and exchanges of information. In this respect, it will have an important role to play in ensuring better mutual understanding.

But the Forum must also add a regional cooperation dimension to project development by introducing a "Euro-Mediterranean interest" label for projects contributing to this cooperation. The Forum could award this label on the basis of criteria yet to be decided. These would give priority to projects submitted jointly by at least two countries. Such a label would allow easier access to Community funding for these projects, while complying with the financial and the selection regulations.

Finally, the Forum will have to draw up and publish a five-year action plan. This action plan will be approved by every member of the Forum. Every two years the Forum will draw up and publish an appraisal of implementation of the action plan over the two previous years.

*(ii) Financial resources*

39. Euro-Mediterranean cooperation in the energy sector must fit in with the existing financing arrangements. However, in order to make better use of the limited resources available, the Community needs to develop a flexible political and economic cooperation strategy in an attempt to make the Community's interests compatible with the interests of its Mediterranean partners.

It is therefore essential to find appropriate financial mechanisms to attain the energy objectives of the partnership and to contribute towards attaining its general objectives.

*(a) Financial and technical support measures (MEDA)*

40. On several occasions during the preparatory process for the Euro-Mediterranean partnership, it was proposed that financial resources should be made available:



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- at the Council meeting on energy on 1 June 1995 the Presidency asked the Commission to "assign appropriate financial resources to the objectives identified, within the framework of the financial resources to be allocated by the European Community to its framework programme for partnership with the countries of the Southern and Eastern Mediterranean";
  - at a meeting in Madrid on 20 November 1995, the Energy Ministers from Spain, France and Italy and representatives of the Mediterranean partners, of the European Union Member States and of the European Commission declared that in order to promote energy projects, appropriate instruments should be introduced. The introduction of a specific chapter on energy in MEDA would demonstrate the importance which Europe attaches to the energy sector in the Mediterranean region.

MEDA is designed to support the Mediterranean partners' efforts to improve their social and economic structures and to soften the potential social and environmental impact of economic development.

41. In accordance with the objectives and procedures for MEDA, the Commission will facilitate measures to coordinate and deal with energy projects. In consultation with the Mediterranean partners, it will lay down the specific objectives of cooperation in this field and define the project selection criteria. It will take account of the Forum's role in defining the broad lines of action, while maintaining the specific procedures laid down in the MEDA Regulation. Consequently, the justification for such an approach in MEDA will depend on demonstrating the importance of these countries for the European Union from the energy point of view and the energy challenges created by the population problems.
42. Without calling into question the bilateral nature of a large part of MEDA, such an integrated approach would create the synergies needed between the various bilateral types of cooperation. In this way, MEDA will develop energy measures going beyond simply attaining the energy policy objectives described in point 3.1 and also contributing to other more general objectives such as environmental protection, political stability, social integration, peace and prosperity.

*(b) Fourth framework RTD programme*

43. The participants at the Barcelona Conference wished to promote research and development and tackle the problem of the widening gap in scientific performance, taking account of the principle of mutual benefit. To this end, the cooperation will focus particularly on:
  - stepping up the Mediterranean countries' own research capacity and helping to train scientific and technical staff by increasing participation in joint research projects;

- participation by qualified research institutes and higher education establishments in the European and Mediterranean countries in joint research projects based on the creation of scientific networks on clearly defined subjects.
44. Against this background, it must be added that a large number of the specific programmes under the Community's fourth framework research and technological development programme, particularly the programmes on the environment and technology, health and society, renewable resources, urban development, information technologies and communications technologies, allow scientific and technological research institutions from the Mediterranean partners to participate on a case by case basis, without any financial contribution from the specific programmes concerned.
45. The twelve Mediterranean partners can participate in the specific programme on non-nuclear energy and in the INCO programme, within the limits laid down by the programmes:
- research bodies from these countries can be associated with the projects submitted by European undertakings in the JOULE programme, without any financial contribution from the programme. This programme is thus an instrument for implementing projects of Euro-Mediterranean interest, such as the INTERSUMED project bringing together energy companies from throughout the Mediterranean region to integrate renewable energy sources in the electricity system (joint JOULE-INCO project);
  - under the THERMIE programme, dissemination schemes, measures to promote small firms and concerted action can accompany projects on new energy technologies to demonstrate their industrial viability at the technological feasibility stage (excluding all commercial considerations). These activities could be carried out in these countries without them being entitled to participate;
  - joint scientific and technical research projects and support measures on the use of renewable energy sources, particularly sustainable management of natural resources, can be funded by the INCO-DC programme.<sup>(10)</sup> This has earmarked ECU 3 million to non-nuclear energy, of which ECU 1.34 million will be for funding non-Union countries under the JOULE programme;
  - research on the energy and technology prospects in the Mediterranean region, particularly analyses of the economic, financial and environmental impact of energy choices, can also be undertaken in these programmes.

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<sup>(10)</sup> Part of the INCO programme intended for the developing countries.

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(c) *SYNERGY programme*

46. The SYNERGY programme must provide a means of putting the various cooperation activities in a consistent framework, by helping the countries concerned to define a comprehensive energy policy. In the process, the programme must support the preparatory stages for defining projects for submission for MEDA funding and encourage the partners to start activities. The SYNERGY programme could also provide support for operation of the Forum in addition to the support from MEDA. The division of labour between the two programmes must yet be decided.
47. SYNERGY has already funded training, planning and assistance activities with the Mediterranean partners and has been allocated ECU 9 million for 1996, of which one third should go towards funding activities with the Mediterranean partners.

If the Council were to adopt the SYNERGY programme, cooperation with these countries will be able to continue on a multi-annual basis, involving all the Member States in the activities.

#### 4. CONCLUSIONS

48. On the basis of the areas of cooperation in the energy field emerging from the Barcelona Conference, the lines along which the Commission intends to work are:
- establishment of a Euro-Mediterranean Energy Forum allowing joint management of the energy cooperation, by establishing a framework for meetings and exchanges of information between the partners;
  - initiation of consultations with the Mediterranean partners on their eventual participation in the work of the European Energy Charter Conference, if they are not already members;
  - study on the options available or which should be developed to facilitate investment. The Commission will submit a report containing the appropriate proposals to the European Parliament and the Council in one year;
  - cooperation with the countries concerned, under the partnership agreements, on the implementation of projects of common interest in the field of trans-European networks, taking account of the measures to combat climate change;
  - facilitation of measures to coordinate and deal with energy projects, in accordance with the objectives and procedures for MEDA.