



**REX/555**

**Energy policies and strategies in the Euro-Mediterranean region**

**DRAFT OPINION**

Section for External Relations

**Energy policies and strategies in the Euro-Mediterranean region**  
[COM()]

Rapporteur: **Ioannis VARDAKASTANIS**

Co-rapporteur: **Maria Helena DE FELIPE LEHTONES**

For the attention of the section members

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Contact	<a href="mailto:Andreas.Berger@eesc.europa.eu">Andreas.Berger@eesc.europa.eu</a>
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Study Group	Energy policies and strategies in the Euro-Mediterranean region
President	Pierre Jean COULON (FR-GRII)
Rapporteur	Ioannis VARDAKASTANIS (EL-GRIII)
Co-rapporteur	Maria Helena DE FELIPE LEHTONES (ES-GRI)
Members	Milena ANGELOVA (BG-GRI) Ileana IZVERNICEANU DE LA IGLESIA (ES-GRIII) Luca JAHIER (IT-GRIII) Berivan ÖNGÖRUR (SV-GRII) Angelo PAGLIARA (IT-GRII) Maurizio REALE (IT-GRI) Martin SCHAFFENRATH (AT-GRIII) George VERNICOS (EL-GRI)
Advisor to the rapporteur	Ioannis N. GRIGORIADIS
Advisor to the co-rapporteur	Antoine APPRIOUAL
Advisor to Group II	Houda BENJANNET-HALAL
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## 1. **Conclusions**

- 1.1 The Mediterranean region will be disproportionately affected by the climate crisis and has already been identified as a global climate crisis hotspot.
- 1.2 The transition from hydrocarbons to a renewable energy economy in the Euro-Mediterranean region can prove to be a valuable instrument for sustainable and inclusive economic growth, regional trade, and cooperation.
- 1.3 Shifting from a fossil-fuel-based energy system to a regime of renewables inevitably has geopolitical, economic and social consequences, involving "transition losers", which can be mitigated by the European Union.
- 1.4 Given the energy complementarities between the north and the south, energy interconnections are crucial for developing an integrated energy system in the Euro-Mediterranean area.
- 1.5 Micro, small and medium-sized enterprises could rise as an essential part of a new European energy strategy in the Euro-Mediterranean region.

## 2. **Introduction**

- 2.1 The Mediterranean region has been of strategic importance for the EU's energy supply, mainly because of the fossil fuel energy imported from a number of countries in the region. Energy relations in the Mediterranean region have been characterised by both cooperation and strategic tensions. The current geopolitical and energy context is expected to reinforce the importance of energy and place it at the core of Euro-Mediterranean relations.
- 2.2 The Mediterranean region is going to be disproportionately affected by the climate crisis and has already been identified as one of the global climate crisis hotspots. Its dramatic situation highlights the imperative need to achieve the objectives of the Paris Agreement and the UN Sustainable Development Goals. Given that the energy supply sector is the largest contributor to greenhouse gas (GHG) emissions, it is a priority to speed up the energy transition from fossil-based fuels to zero carbon in the Mediterranean region.
- 2.3 While EU countries have developed policies for diversifying their energy mix to reduce their GHG emissions, which eventually led to the adoption of the most ambitious transformative strategy worldwide, the EU Green Deal (EGD), the southern and eastern Mediterranean (SEMED) countries are not currently moving at the same pace towards the decarbonisation of their energy sector. In that regard, the European Green Deal is an inspiring model, a key instrument for greater energy cooperation and an opportunity for a more sustainable energy policy across the Mediterranean.
- 2.4 The Mediterranean is endowed with significant renewable energy sources offering unparalleled opportunities for energy security and cooperation across the region. SEMED countries, in particular, have some of the best solar-power potential in the world. This renewable energy potential contrasts with the current situation of inequality and diversity that characterises the

Mediterranean energy landscape. A new energy landscape based on renewable energy will provide the opportunity to include more countries in international energy trade.

- 2.5 While northern Mediterranean countries have experienced a fall in energy demand, the energy demand in SEMED countries is continually increasing, driven by demographic and economic growth and electrification. According to projections, a significant gap between demand and supply might become a reality in future decades in the southern Mediterranean.
- 2.6 In addition to the energy transition, the war waged by Russia in Ukraine has significantly disrupted the energy landscape, which was already very volatile in the aftermath of the COVID-19 pandemic. It has put the emphasis on the other fundamental pillar of the energy policies: securing energy supply. As a consequence of the Russian invasion, the EU decided to phase out its dependence on Russian fossil fuels, launching the REPowerEU plan aiming at increasing energy savings, diversifying energy supplies and accelerating the deployment of renewable energy. Consequently, the European Commission issued a joint communication outlining the EU's external energy engagement in a changing world, giving a crucial role to the Southern Neighbourhood in diversifying the EU's gas supply and promoting renewable energy cooperation and trade, putting the region at the heart of the emerging energy landscape.

### 3. **General comments**

- 3.1 A "just and fair transition towards circular, low emissions, inclusive, resilient, sustainable resource and energy efficient economies and societies" is a common goal of the 43 member countries of the Union for the Mediterranean (UfM), as stated in the UfM Ministerial Declaration on Energy (14 June 2021, Lisbon). Energy transition in the Mediterranean region therefore requires a faster, substantial reduction in the production and consumption of fossil fuels in both industry and households. The massive development of renewable energy, which together with energy efficiency can enable the carbon neutrality objectives to be achieved, is still below the global average, representing 11% of total energy consumption in the Mediterranean.
- 3.2 As mentioned by the EESC conference on the Geopolitics of the European Green Deal, the EGD, which makes the EU the frontrunner in the energy transition, is a powerful catalyst for coordinated action. In that sense, the external dimension of the EGD is about the EU enlisting its neighbours to share the same ambitions and join it on the same sustainability path, which is currently not the case in the Mediterranean region. For the EU, it is especially important to avoid the risk of carbon leakage.
- 3.3 Nevertheless, SEMED countries have committed to ambitious targets in order to reduce their GHG emissions, including through the development of renewable energy and higher energy efficiency. These targets can only be met with clear political will and external technical and financial support.
- 3.4 The amount of energy investments needed to reach carbon neutrality by 2050 in the Mediterranean region is considerable: the Mediterranean Energy Perspectives (MEP) 2022 from the OME estimates that they exceed 6 700 billion euros. The same study shows that half of

these investments will have to be done in the SEMED countries. Investments in renewable energy alone would make up 70% of this amount.

- 3.5 The external dimension of the EGD, the New Agenda for the Mediterranean and the recent EU external energy strategy give the EU an important role in promoting renewable energy and energy efficiency in its Southern Neighbourhood. This role is mainly to be channelled through the Neighbourhood, Development and International Cooperation Instrument (NDICI – Global Europe), of which 30% will be dedicated to tackling climate and environmental change. In this context, it is of the utmost importance that the EU and its partners finalise the multiannual indicative programmes setting cooperation priority areas, which will make it possible to speed up the delivery of EU financial assistance for 2021-2027. For the time being, programming of EU financial assistance has been concluded with very few SEMED countries (Egypt and Jordan). On the other side, the green partnership signed by the EU and Morocco in October 2022 to make the external dimension of the EGD a reality is set to become a model for cooperation between the EU and SEMED countries to accelerate the green transition.
- 3.6 The promotion of renewable energy infrastructures across the Mediterranean can emerge as a valuable instrument for sustainable and inclusive economic growth, regional trade, and cooperation. The development of these infrastructures can provide a new opportunity for the emergence of the Mediterranean region as a leading energy supplier for the European market, while strengthening the energy security of SEMED countries. In addition, the development of the renewable energy sector stimulates (highly-skilled) job creation and prosperity and contributes to the sustainable development of SEMED economies. Through the Mediterranean, the European Union can position itself as a leader in energy transition and industrial transformation. Indeed, the leading EU Greentech industries can strengthen their global and regional position by investing in the opportunities offered in the SEMED countries.
- 3.7 The comparative advantage of the Mediterranean in producing solar and wind energy and its synergies with the growing clean hydrogen industry are obvious. It is also clear that renewable energies linked to solar and wind power have become the cheapest source of energy thanks to rapidly declining costs, thus offering opportunities to achieve SDG 7 - "Ensure access to affordable, reliable, sustainable and modern energy".
- 3.8 Green hydrogen has attracted significant attention in the recent years as a crucial means to help reach carbon neutrality objectives. A breakthrough solution for decarbonising heavy transport and industrial processes, while allowing renewable energy to be stored and transported, it has become a key priority of the EU Green Deal.
- 3.9 The southern Mediterranean has been identified as one of the three major corridors for green hydrogen imports by the EU in a changing world. Given their huge potential in renewable energy, their geographical proximity and the potentially low costs of hydrogen production in the long term, the SEMED countries are in a unique position to place themselves at the centre of the EU green hydrogen supply chain. The New Agenda for the Mediterranean set the goal of at least 40 gigawatts of electrolyser capacity in the EU Neighbourhood by 2030.

- 3.10 Following the visit by the European Commission President, Ursula von der Leyen, to Cairo in June 2022, the creation of a Mediterranean Hydrogen Partnership with Egypt was announced in order to develop its renewable energy sector, low carbon and renewable hydrogen production and the necessary infrastructure and electricity grids. This was followed by a memorandum of understanding on a strategic partnership on renewable hydrogen, signed by the EU and Egypt on the sidelines of COP27. In this regard, it is in the region's interest to extend this partnership to other neighbouring countries, creating a multilateral and genuine Mediterranean hydrogen partnership. In this sense, making full use of the potential of the UfM gas platform tackling hydrogen is important. The EastMedGas Forum is another example of a cooperation platform that could be extended to renewable energy and green hydrogen.
- 3.11 Although it is a pillar of the energy transition to carbon neutral economies and a driver for energy security, energy efficiency has attracted relatively little attention from UfM countries. Despite high potential in the Mediterranean region, energy efficiency is still in its infancy, according to the MedECC. However, energy efficiency can substantially help to reduce GHG emissions and create job opportunities. It also saves on costs and increases firms' productivity, which is of crucial importance in the current context. Transport, industry, and construction are sectors where significant gains can be achieved, especially in the SEMED countries, where energy demand will increase substantially until 2050.
- 3.12 Energy savings and efficiency have become a high priority for the EU, as stated in the REPowerEU plan, notably to order to ensure energy security in the short term. The EU's external energy strategy also claims to make energy savings and efficiency a global priority while its regulatory, legislative and standard-setting experience could provide an attractive example to follow. In the Mediterranean region, the New Agenda for the Mediterranean and the UfM Ministerial Declaration on Energy included the mainstreaming of energy efficiency measures within all sectors and policies among its priorities. In that regard, the UfM Renewable Energy and Energy Efficiency Platform is an interesting tool for promoting energy efficiency measures in UfM countries whose potential could be fully exploited.
- 3.13 In the Mediterranean region, natural gas has been playing a role in an energy transition to sustainable production and consumption modes by replacing coal and oil in the energy mix. This role has been confirmed by the fact that the EU taxonomy grants the status of "transitional activities contributing to climate change mitigation" to certain fossil gases within a time limit, depending on specific conditions and transparency requirements. Natural gas is expected to continue to play a significant role in the EU energy mix until 2030, after which its use will decline in line with climate neutrality commitments.
- 3.14 As mentioned in the UfM Ministerial Declaration on Energy and the recently signed MoU between the EU, Egypt and Israel, it is of the utmost importance that efforts to decarbonise the natural gas supply chain are pursued in the Mediterranean region, especially regarding methane leakages. To that end, specific funds could be dedicated to research and development efforts.
- 3.15 The discovery of sizeable natural gas reserves in the eastern Mediterranean emerged as a great opportunity for the littoral countries and for the region as a whole. It is hoped that the exploration and monetisation of natural gas reserves in Cyprus, Egypt and Israel will contribute

to regional economic development, promote synergies and improve European energy security by diversifying natural gas supply to the European market and reducing the Russian share in it. This became a priority in the light of souring relations with Russia and the weaponisation of natural gas supply in its conflict with Ukraine.

In that context, various projects for transporting eastern Mediterranean natural gas to the European market have been discussed. The EastMed pipeline project was intended to connect Israeli, Egyptian and Cypriot natural gas fields to the European market through Greece. However, unsolved political conflicts and regional rivalries in the eastern Mediterranean, including Türkiye's attempts to dispute Greece and the Republic of Cyprus' Exclusive Economic Zones (EEZ), have kept levels of geopolitical risk high for major investments in the region. Under these circumstances, the cost of extracting and transporting natural gas through the proposed EastMed pipeline has remained at prohibitively high levels for the European natural gas market.

- 3.16 Local natural gas reserves will provide crucial help to meet the growing energy needs of coastal states in the eastern Mediterranean, and a surplus can be exported as liquefied natural gas (LNG) to the global market - and the EU in particular - through Egypt, offering a partial solution to the monetisation problem.
- 3.17 As part of the REPowerEU plan to end the EU's dependence on Russian gas as soon as possible following Russia's invasion of Ukraine, and as set out in the EU external strategy, SEMED LNG and pipeline gas suppliers (Egypt, Israel, Algeria) are being asked to take a greater role in diversifying the EU's gas supply and increase their deliveries to the EU. The MoU signed by the EU, Egypt, and Israel illustrates the importance of cooperation based on natural gas trade in the region, and the reconfiguration of energy relations in favour of Mediterranean operators prompted by the Russian invasion of Ukraine. Political instability prevents Libya from playing any greater role in this new context, despite its sizeable natural gas reserves.

#### **4. Challenges and opportunities**

- 4.1 The integration of the Mediterranean energy market could be a key target for achieving the objectives of the energy transition, including scaling up renewable energy, ensuring energy security, diversifying supply and reducing power system costs. No country can achieve a successful transition without producing, storing and exporting clean energy, without connecting its grid to its neighbours' grids, without being a part of a new infrastructure, know-how, technology and governance model, in line with the European Green Deal.

Given the energy complementarities between the north and the south, energy interconnections are crucial to develop an integrated energy system in the Euro-Mediterranean area. However, as noted in the UfM-OECD Report on Regional Integration in the Union for the Mediterranean, interconnections are still in the early stages of development in the Mediterranean region. Only Türkiye and the Maghreb are currently connected and synchronised with the EU's electricity system, with the Moroccan-Spanish cross-border interconnection being the only line connecting the EU with the southern Mediterranean. More interconnections are needed, especially to

develop power system flexibility under a renewable and electricity-based energy system in the Euro-Mediterranean region, which is often described as a "natural grid community" (Escribano).

- 4.2 Various interconnection projects across the Mediterranean are underway, including the Euro-Africa Interconnector project (the largest interconnector cable in the world under construction between Egypt, Cyprus, Greece and the EU), the Italy-Montenegro-Serbia-Bosnia and Herzegovina Interconnection project (first interconnection between the EU and the Western Balkans for renewable energy trade) and the Elmed Interconnector (Tunisia-Italy power interconnector for trading electricity). The 2020 Mediterranean Master Plan of Electricity Interconnection developed by the Mediterranean Transmission System Operators (Med-TSO) has identified 15 interconnection projects and provides quantitative and qualitative analysis proving the feasibility of regional multilateral cooperation.
- 4.3 Leveraging the EU internal energy market, the countries on the peripheries of the EU Mediterranean borders are well placed to become import hubs for the entry of low-cost renewable energy into the EU market. This would be notably the case of Spain, Malta, Italy, Greece, and Cyprus. It is possible to continue EU trade relations with external partners, and to do so in a manner that is aligned with the objectives of the European Green Deal.
- 4.4 Efforts must be made to address the lack of a harmonised regulatory framework at regional, national, and subregional levels, which is an obstacle to the development of an integrated Mediterranean energy market. Interoperability of power systems and the adequate management of interconnections are important elements to address. The lack of modern south-south interconnections or their low utilisation with modest electricity trade (notably in the case of the Maghreb despite existing interconnections) warrants attention from policymakers and energy operators.
- 4.5 Triangular energy cooperation in the Mediterranean has provided increased opportunities for collaboration in recent years and is expected to remain an effective model based on a win-win approach, especially in the eastern Mediterranean between countries such as Greece, Cyprus, Egypt, Israel, and Jordan. More triangular cooperation, especially regarding renewable energy, could promote more exchanges and also contribute to better bilateral relations in the region.
- 4.6 One of the main challenges for speeding up the energy transition and achieving energy security in the Mediterranean region is related to financing key energy projects, especially costly physical infrastructure. The funding effort relies on governments, international financial assistance, and the private sector. The European Fund for Sustainable Development Plus (EFSD+) under NDICI-Global Europe is expected to help promote public and private investments in the Southern Neighbourhood through innovative financial instruments.
- 4.7 Energy transition in the Mediterranean requires the private financial sector to shift from investing in fossil fuel to renewable projects. According to the OECD, direct investments in the MENA region are still disproportionately focusing on fossil fuel projects, while investment in renewable energy, although on the rise, remains below the potential of the sector. Many of the relevant national energy companies in the Mediterranean are traditional energy companies whose portfolios are primarily made up of fossil fuel-related investments and businesses.



However, some of them are increasingly shifting their investment priorities to the renewable energy market.

- 4.8 In order to attract more investment in the energy sector, the business environment in the SEMED countries needs to be improved. Systemic barriers in a number of Mediterranean states related to competition, liberalisation of electricity markets, the lack of independent regulatory authorities and access to land persist and need to be resolved to facilitate investment. EU financial assistance to SEMED countries can be linked to the implementation of reforms aimed at removing these barriers.
- 4.9 As discussed at the July 2023 EuroMed Summit, innovative financing models could be explored and applied to accelerate the deployment of renewable energy projects. Exploring new financing mechanisms, such as green bonds or sustainable investment funds, can redirect capital toward key energy projects and infrastructure that support the transition to clean energy. Financing should be diversified and fairly spread between governments, social partners and civil society organisations. CSOs in particular have a key role in alleviating the negative impacts of the energy transition and should be supported to increase their capacities and resources.
- 4.10 By collaborating with international financial institutions and funds, financial support for energy transition initiatives and the development of sustainable infrastructure will be enhanced.
- 4.11 Micro, small and medium-sized enterprises (MSMEs), which are the backbone of the SEMED countries' economies, could be an essential part of a new European energy strategy in the Euro-Mediterranean region. A driver for both growth and innovation, they have an important role to play in the development of technologies and within the entire value chain linked to the energy transition, through providing expertise and solutions to other enterprises, citizens and the public sector across the Mediterranean.
- 4.12 There is an urgent need to support MSMEs and households in understanding and managing the energy transition in the best possible way. The EESC calls for wide-ranging and targeted information and awareness-raising measures, delivered in a coordinated and complementary manner by the European Commission and Member States, together with business organisations, chambers, social partners and other relevant stakeholders.
- 4.13 It is very important that the EU and the Member States accelerate green investment in MSMEs by ensuring an enabling, predictable and encouraging regulatory environment, as well as by providing fast, easy, simple and traceable access to finance, tailored to the different needs of all diverse groups of MSMEs.
- 4.14 Close cooperation between education providers and MSMEs in shaping training is essential to meet the competences and skills needed in the green transition. Moreover, the EESC considers that supporting innovation activities for MSMEs is essential by incentivising and facilitating cooperation with other businesses, their organisations, chambers, universities and research institutions.

- 4.15 It is essential to empower communities to actively participate in decision-making processes, ensuring their voices are heard and their needs are met. Involving social partners and civil society organisations throughout the policy cycle is a must.
- 4.16 Cooperating with schools, universities and civil society organisations will provide the younger generation with knowledge about renewable energy and sustainability. This will empower them to become advocates and active participants in driving the energy transition.
- 4.17 The current context stemming from the Russian invasion of Ukraine and the subsequent EU policy to end its dependence on Russian fossil fuels have put natural gas in the spotlight once again. New investments in gas infrastructure – mainly LNG infrastructure and to a lesser extent pipelines – and exploration, aimed at increasing and diversifying the supply of natural gas to the EU, including from Mediterranean suppliers, are currently being discussed and planned. These investments could remain consistent with the EU climate goals. Current short-term considerations could not distract the EU and its Mediterranean partners from the principle that natural gas has to remain a transition energy source that will be progressively phased out in the mid-term.
- 4.18 In order to fully take advantage of the existing LNG terminals, especially in Greece, Portugal, and Spain, EU energy integration could be strengthened to allow imported natural gas to flow to the rest of the EU. The Gas Interconnector Greece-Bulgaria (IGB) pipeline and the construction of an LNG terminal in the Greek port of Alexandroupolis are sources of inspiration for further and deeper energy cooperation. Plans to improve the connections between the Iberian peninsula and the rest of Europe through a "green corridor", including the H2Med pipeline project carrying hydrogen (from Celorico to Zamora and Barcelona to Marseille) that was recently agreed between Portugal, Spain and France, are consistent with this approach.
- 4.19 Euro-Mediterranean cooperation on energy could take into account the lessons learnt from the failure of large-scale projects, such as the Mediterranean Solar Plan, Desertec or the Euro-Mediterranean energy ring, because of their lack of realism or the simplistic visions of the complex realities on the ground. Development gaps could be better considered to ensure that the Euro-Mediterranean cooperation on energy remains a win-win, fair, and realistic cooperation. In that sense, access to finance, knowledge exchange and capacity building must be the cornerstones of this cooperation.
- 4.20 The current disruption of the energy landscape has led to high price volatility, which in turn has generated inflationary pressures in most countries of the Mediterranean region. In addition, the imbalances linked to energy supply in the context of the energy transition affect the affordability of energy, threatening vulnerable households and MSMEs' access to energy. The impact of rising energy prices on consumers and businesses can be mitigated, especially given that the interrelations between water, energy and food are at the basis of long-term socioeconomic stability and welfare in the Euro-Mediterranean region. It is important that the shift towards a more sustainable energy system put the focus on universal access to affordable and reliable energy in line with SDG 7, making it just and fair for all consumers by taking into account territorial, gender, and social gaps in access to energy to end energy poverty.

- 4.21 Shifting from a fossil fuel-based energy system to a regime of renewables inevitably has geopolitical, economic and social consequences, involving "transition losers". In order for this transition to be just and socially fair, governments could accompany fossil fuel industries and their workers through redeployment schemes towards industries of the future on both sides of the Mediterranean Basin. The EU can encourage and support the economic diversification of rentier states with an overreliance on fossil fuel resources to mitigate the destabilising impacts of the energy transition in the region.
- 4.22 In view of the increased energy cooperation between the EU and its southern Mediterranean partner countries, special attention could be paid to updating the existing association agreements. The chapters on energy and investment can be adapted to new challenges. At the same time, including chapters on sustainable trade policy, the ambitious implementation of international human rights conventions, and ILO Core Conventions (freedom of association, collective bargaining, forced labour, child labour, equality of opportunity and treatment) are of key importance.
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