

Ministerial declaration

by the Euro-Mediterranean energy forum

adopted by participants at the conference in Athens on 21 May 2003

The European commission, Algeria, Germany, Austria, Belgium, Cyprus, Denmark, Egypt, Spain, Finland, France, Greece, Ireland, Israel, Italy, Jordan, Lebanon, Luxembourg, Malta, Morocco, the Netherlands, the Palestinian authority, Portugal, the united kingdom, Sweden, Syria, Tunisia and turkey,

Taking part in the Euro-Mediterranean Ministerial Conference on Energy, held in Athens on 21 May 2003;

Considering the Declaration of the Barcelona Euro-Mediterranean Conference of 27 and 28 November 1995;

Considering the pivotal role of energy in the implementation of the Partnership, as confirmed by the Euro-Mediterranean Ministers of Foreign Affairs at the Malta Conference on 15 and 16 April 1997, and therefore the need to strengthen cooperation and to intensify the dialogue in the field of energy policies, as well as to encourage the introduction of general conditions conducive to investments and the activities of energy companies;

Considering the first Euro-Mediterranean Conference of Energy Ministers, which was held in Trieste on 7 and 8 June 1996, and which agreed that the Euro-Mediterranean Energy Forum could ensure the continuity of the dialogue between all the Partners, at a political as well as an expert level, and could promote projects of regional interest;

Considering the opinion expressed during the first meeting of the Euro-Mediterranean Energy Forum, which was held in Brussels on 13 May 1997 and which envisages the development of an action plan of the Euro-Mediterranean Energy Forum;

Considering the second Brussels Ministerial Conference on Energy (1998), which identified the priority objectives of security of supply, competitiveness of the energy industry and protection of the environment, and which adopted a medium-term action plan for the Euro-Mediterranean Energy Partnership which expired in 2002;

Considering the meeting of the Euro-Mediterranean Energy Forum in Grenada (May 2000), which established as priorities: the reform of the legislative and regulatory framework for the energy sector of the Mediterranean Partners, restructuring of the energy industry of the Mediterranean Partners, convergence of the energy policies of the European Union and the Mediterranean Partners, integration of the Mediterranean energy markets, the development of interconnections, in particular South-South when appropriate, and the promotion of renewable energy sources in the framework of sustainable development;

Considering the setting up of the European Investment Bank's new Facility for Euro-Mediterranean Investment and Partnership (FEMIP), which was inaugurated on 18 October 2002 in Barcelona;

Considering the work of the three ad hoc working groups on interconnection, energy policy and economic analysis set up by the Brussels ministerial meeting (1998) and launched by the meeting of the Valencia Forum (2002), the coordination of which has been entrusted to the Commission and to which industry, the EIB and the World Bank have been invited;

*Considering the conclusions and recommendations of the ad hoc groups and the communication from the Euro-Mediterranean Energy Forum on the *Priorities for 2003-2006 of the Euro-Mediterranean Energy Forum* for creating the conditions required for the establishment of a genuine Euro-Mediterranean energy policy cooperation,*

HAVE AGREED ON THE FOLLOWING:

1. Energy policy objectives

1.1 Ministers recall the importance of cooperation in the field of energy and stress the central role of the energy sector in the achievement of the objectives defined at the Barcelona Conference of 27 and 28 November 1995; they reaffirm their continuing mutual interest in the establishment of a genuine Euro-Mediterranean energy policy. Ministers reaffirm the essential role of the Euro-Mediterranean Energy Forum in the development of a Euro-Mediterranean Energy Partnership and its contribution to economic and social development.

1.2 Ministers recall that the establishment of the Euro-Mediterranean Energy Partnership must be based on the objectives of security of supply, competitiveness and transparency of markets as well as protection of the environment, and reaffirm that the gradual establishment of a Euro-Mediterranean energy policy to contribute fully to the future free trade area must be based on the definition of energy policy activities of a regional nature and the implementation of infrastructure projects of common interest. They underline in this context that **the consolidation of existing interconnections** and progressive implementation of new interconnection network projects must in due time aim to complete the Mediterranean electricity and natural gas links.

1.3 For the implementation of this objective, the Ministers underline the necessity:

- of the establishment of mechanisms, within the framework of existing community and other resources, to facilitate the funding of projects of common interest and the development of industrial cooperation in this respect;
- of ad hoc logistical support to the Forum for monitoring the implementation of a Euro-Mediterranean energy policy based on the priorities for 2003-2006.

2. Euro-Mediterranean Energy Forum - Priorities for the period 2003 – 2006

2.1 Ministers adopt the priorities of the Euro-Mediterranean Energy Forum for the period 2003-2006. These priorities are based on enhanced cooperation at all levels: political, administrative, industrial, financial and institutional.

2.2 Ministers confirm that, in view of recent accidents involving the maritime transportation of hydrocarbons and the particular vulnerability of the straits and canals at Mediterranean inlets for this type of transport, it is important to consider the advisability of reducing the maritime transportation of hydrocarbons in the Mediterranean by the development of oil pipelines if these are shown to be

technically, economically and environmentally feasible. In this context, the further development of double-hull technology for tankers for the transport of oil and oil products is also welcomed. They take note of the Italian initiative at the Ministerial Conference “*Promotion of Investment and Financing of Infrastructures*” in Rome in December 2003 to present the results of an analysis on this subject .

2.3 Ministers reaffirm the interest they attach to the reform of the energy sector and to the need to substantially increase the role of energy efficiency and renewable energy in the perspective of an energy sustainable future as recommended at the last Summit in Johannesburg (WSSD). They welcome the offer of Germany to host an International conference for renewable energies in June 2004 in Bonn. In this context, they invite countries that have not joined the Johannesburg renewable Energy coalition on the "The way Forward on renewable Energy" to consider doing so.

2.4 Ministers welcome the important initiative taken by Algeria, Morocco and Tunisia, in cooperation with the European Commission, to work towards the gradual establishment of the conditions necessary for the development of a Maghrebian electricity market and its future integration into the European Union’s internal electricity market. This initiative, aiming at the eventual creation of a Euro Maghrebian electricity market, marks important progress in the Euro-Mediterranean energy partnership.

2.5 Ministers stress that, within the objective of establishing a future Euro Mediterranean energy market which is fully integrated and interconnected, the progressive implementation of Trans Euro Mediterranean and South-south networks such as those presented in the 2003-2006 priorities, must have as a priority the eventual completion of Mediterranean electricity and natural gas links. In this context, they welcome the cooperation and commercial agreements implemented at company level to launch feasibility studies financed under the Trans European Energy Networks of interconnection of gas networks between Greece and Turkey and its construction which will be completed at the end of 2005. They also took note of current discussions for the development of the interconnection between Greece and Italy for **the Euro Mediterranean gas ring** and confirm the importance of the three gas interconnection projects Greece - Italy - Turkey, Turkey - Austria via Bulgaria - Romania - Hungary, and Greece - FYROM - Serbia - Montenegro - Bosnia - Herzegovina - Croatia - Slovenia - Austria for the security of supply and the competitiveness of the future integrated Euro Mediterranean gas market and the Balkans regional market.

2.5 bis. Ministers take note of the European Commission proposals, taken on the initiative of its vice president Mrs Loyola de Palacio and developed in its communication (COM (2003) 262), aiming at the development of an energy policy for the enlarged European Union its neighbouring countries and partners. They confirm full support with its Mediterranean Euro aspect.

2.6 Ministers stress the political and economic importance of the active participation of all the countries in the Barcelona Process and invite them to take part regularly and constructively in the Euro-Mediterranean Forum. They welcome Libya's participation as an observer at this Conference.

2.6 bis. Ministers take note of the intention of the Palestinian authorities and Israel to cooperate in the framework of a working technical group including Palestinian authority,

Israel and the European Commission to identify and promote interconnection projects of common interests to be integrated in the framework of the Euro-Mediterranean co-operation process. Other Mediterranean partners are invited to join this working technical group

2.7 Ministers invite all the actors involved (Mediterranean Partners, Member States of the European Union, European institutions, industry, financial institutions, etc.) to take appropriate measures to implement all of the priorities for 2003-2006.

2.8 Ministers welcome the establishment of the FEMIP by the EIB and ask the Forum to conduct an analysis, in collaboration with the EIB and other financial organisations such as MIGA, on the development of new Euro Mediterranean financial products with regional character in which the IFIs, the States and the private financial sector of the Mediterranean Partners and the EU could participate, for the realisation of important energy infrastructure projects and of regional projects of common interest. They ask the results of this analysis to be presented to the Rome Ministerial Conference in December 2003.

2.9 Ministers recall that the funding of energy projects is principally a matter for the private sector, reaffirm their political support for the projects of common interest and regional activities identified in the Forum's communication "*Priorities for 2003-2006 of the Euro-Mediterranean Energy Forum*", and request that these projects be considered as priorities for EIB financial support under the FEMIP.

2.10 Ministers agree on the importance of providing the Euro-Mediterranean Forum, in accordance with the proposals made in the Forum's communication *Priorities for 2003-2006 of the Euro-Mediterranean Energy Forum*, ad hoc logistical support for the specific purpose of monitoring the implementation of an Euro-Mediterranean energy policy. Ministers instruct the Secretariat of the Euro-Mediterranean Energy Forum to present a contribution to the Rome Ministerial Conference in December 2003 specifying the conditions for the establishment and operation of this logistical support.

2.11 Ministers commend the efforts made by the Member States of the European Union, the Mediterranean Partners and the Commission as regards technical assistance under the MEDA programme and urge them to improve the coordination of future activities under this programme by means of the Forum's logistical support structure and to concentrate their efforts on the preparation of priority activities and projects of a regional nature.

2.12 Ministers underline that this is the first Euro-Mediterranean Ministerial Conference to which the Accession countries joining the Barcelona Process on 1 May 2004 had been invited, and they welcome them to this event.

2.13 Ministers congratulate the Greek Presidency for this significant Ministry Meeting and agree that, in accordance with the decision taken at the Valencia Conference of Ministers of Foreign Affairs in 2002, all future meetings of the Forum and ministerial meetings will be co-chaired by the Presidency of the EU and a Mediterranean partner country.

LIST OF PARTICIPANTS

The Mediterranean partners countries were represented as follows:

- For Algeria:** Chakib Khelil, Minister of Energy and Mining
- For Cyprus:** Yiorgos Lillikas, Minister of Commerce, Industry and Tourism
- For Egypt:** Amin Sameh Fahmy, Minister of Petroleum
- For Israel:** Joseph I. Partizky, Minister of Natural Infrastructures of Israel
- For Jordan:** Khaldoun Quitishat, Secretary General, Ministry of Energy and Mineral Resources
- For Lebanon:** Ayoub Hemayed, Minister of Energy and Water
- For Malta:** Ninu Zammit, Minister of Resources and Infrastructure
- For Morocco:** Mohammed Boutaleb, Minister of Energy and Mining
- For the Palestinian Authority:** Azzam Shawwa, Minister of Energy and Natural Resources
- For Syria:** Ibrahim Hddad, Minister of Petroleum and Mineral Resources
- For Tunisia:** Mohamed Bachrouch, Ambassador, Embassy of Tunisia in Greece
- For Turkey:** Hilmi Guler, Minister of Energy

The Member States of the European Union were represented as follows:

- For l'Autriche :** Michael Stern, Attaché, Federal Ministry for Economic Affairs and Labour
- For Belgium:** Rijments, Ambssador, Embassy of Belgium in Greece
- For Denmark:** Hans Jorgen Koch, Deputy Permanent Secretary, Ministry of Economic and Business Affairs
- For Finland:** Taisto Turunen , Director General Energy, Ministry of Trade and Industry
- For France:** Nicole Fontaine, Minister of Economy, Finance and Industry
- For Germany:** Guenter Brandes, Director General Energy, Ministry of Economics and Labour
- For Greece:** Apostolos Athnassios Tsohatzopoulos, Minister of development
- For Ireland :** Martin Bernnan, Director General for Energy, Department of Communications, Marine and Natural Resources
- For Italy:** Antonio Marzano, Minister of Production Activities
- For Luxembourg :** Carlo Bartocci, Commissaire du gouvernement a l'Energie, Ministry of Economy
- For the Netherlands:** Noe Van Hulst, Head of Delegation, Delegation of the Netherlands
- For Portugal:** Jorge Borrego, Director General, Ministry of Economic Affairs, Directorate General for Energy

- For Spain:** Jose Folgado, Secretary of State for Energy
- For Sweden:** Marten Gunditz, Ambassador, Embassy of Sweden in Greece
- For the United Kingdom:** Loraine Dawson, Head International Energy, Department of Trade and Industry

The European Commission was represented by:
Loyola de Palacio, Vice President of the European Commission

The observant countries were represented by:

- For Libya:** Abdulhafid Zletni, Secretary of the People's Committee, National Oil Corporation

Attachment: List of Participants and Annexes:

1. Communication from the Euro-Mediterranean Forum to the 2003 Athens Ministerial Conference on Energy
2. Document *Euro-Mediterranean Energy Forum - Priorities for 2003-2006*
3. Document of Forum meeting of 29/4/2003 – Conclusions and recommendations from the Ad-Hoc Workings Groups-

ANNEX 1

COMMUNICATION FROM THE EURO-MEDITERRANEAN ENERGY FORUM TO THE 2003 MINISTERIAL ENERGY CONFERENCE IN ATHENS

Brussels, 29 April 2003

The ad hoc groups have met three times and their work has made it possible to:

- take stock of the energy situation and harmonise the data and characteristics of each of the Mediterranean Partners of the EU,
- carry out the analyses required with a view to the establishment of a Euro-Mediterranean energy policy based on security of supply, competitiveness and protection of the environment,
- agree on recommendations for the priority actions to be envisaged for the period 2003-2006.

The work carried out by the ad hoc working groups was presented and discussed at the Euro-Mediterranean Energy Forum meeting held in Brussels on 29 April 2003. In its conclusions, the Forum proposes to the Ministers regional activities aiming to concretise the objectives of a Euro-Mediterranean energy policy and the implementation of infrastructure projects of common interest contributing to the integration of the Euro Mediterranean energy markets.

To achieve this objective, the Forum recommends:

- the establishment of mechanisms to facilitate the funding of projects of common interest and the development of industrial cooperation in this respect;
- the development of **ad hoc** logistical support for the Forum for the specific purpose of monitoring the implementation of a Euro-Mediterranean energy policy based on the priorities for 2003-2006.

The Forum stresses that:

- due to the political situation, it has not been possible up to now to analyse all the activities covering certain countries. The Forum hopes it will be possible in future to carry out a detailed analysis of the activities of all Partners. The Forum took note of Israel's intention to participate in regional gas and electricity interconnections projects.
- all the analyses of the regional actions and projects, and in particular the interconnection projects (Mediterranean gas and electricity rings), have shown the need for the effective participation of Libya;
- the priority given to the South-South interconnection projects, when appropriate, has shown the need for better cooperation with the countries of Africa and the Middle East,

whose resources could in the short term supply the Euro-Mediterranean energy market and the market of south-eastern Europe;

- the recent accidents involving the maritime transport of hydrocarbons close to the Mediterranean basin, which is particularly vulnerable due to the numerous straits and canals which are very heavily used by vessels transporting hydrocarbons, have led the ad hoc groups to consider whether the carriage of hydrocarbons by sea in the Mediterranean should be reduced - and safety enhanced - by developing oil pipelines, provided this last is found to be technically, economically and environmentally feasible. The further development of double-hull technology for oil tankers is also welcomed in this respect. Further, they take note of the Italian initiative to present the results of an analysis on this subject to the Ministerial Conference in Rome in December 2003.

The Forum requests the ministerial meeting of 21 May 2003 to adopt the priorities for the period 2003-2006 appearing in the Annex and to consider the points emphasised above.

ANNEX 2

EURO-MEDITERRANEAN ENERGY FORUM

PRIORITIES FOR 2003-2006

The priorities for 2003-2006 of the Euro-Mediterranean Energy Partnership were adopted by the Energy Forum at its meeting in Brussels on 29 April 2003.

These priorities tie in with:

- the *fields of cooperation* on energy identified by the Trieste Ministerial Conference (1996), which also agreed to set up the Euro-Mediterranean Energy Forum;
- the *objectives defined* at the Brussels Ministerial Conference (1998) as regards:
 - security of supply, through the development and diversification of energy resources and through closer international cooperation, taking account of the complementarity between producer, transit and consumer countries in the Mediterranean basin and their mutual benefits;
 - competitiveness, in particular with a view to the free trade area which it is proposed to create by 2010 and through greater industrial cooperation, taking account of the different economic and social conditions from one country to another;
 - protection of the environment, while ensuring safe and clean production, transportation and use of energy and encouraging energy efficiency and renewable energy.
- the *priorities agreed* at the meeting of the Grenada Forum (2000), in particular:
 - reform of the legislative and regulatory energy sector frameworks of the Mediterranean Partners;
 - restructuring of the energy industry of the Mediterranean Partners;
 - convergence of the energy policies of the European Union and the Mediterranean Partners;
 - integration of the Mediterranean energy markets and strengthening competition;
 - the development of interconnections, in particular South-South;
 - the promotion of renewable energy sources in the framework of sustainable development.
- the *medium-term action plan* adopted by the Brussels Ministerial Conference (1998) which is due to expire in 2002;
- the *work of the three ad-hoc working groups on interconnection, energy policy and economic analysis* set up by the Brussels Ministerial Meeting (1998) and launched by the Granada

meeting (2000), the coordination of which was entrusted to the Commission and in which industry, the EIB and the World Bank were invited to take part;

- *the conclusions of the ad hoc groups which aim to create the conditions necessary for the establishment of a genuine cooperation for Euro-Mediterranean energy policy aiming to implement energy policy activities of a regional nature and infrastructure projects of common interest in the energy sector;*

- *the recommendations of the ad hoc groups with respect to*
 - the establishment of mechanisms to facilitate the funding of projects of common interest and the development of industrial cooperation in this respect;

 - the development of logistical support for the Forum for monitoring the implementation of a Euro-Mediterranean energy policy on the basis of the priorities for 2003-2006.

The priorities 2003-2006 are detailed in the following chapters.

Concretisation of energy policy actions of a regional nature and the implementation of infrastructure projects of common interest in the energy sector

1. Infrastructure projects of common interest

In order to establish a Euro-Mediterranean energy policy based on security of supply, competitiveness and protection of the environment, the Euro-Mediterranean Partners will have to face up to three major challenges in which interconnections play a major part. Priority will have to be given to:

- the construction of a fully integrated and interconnected Euro-Mediterranean electricity and natural gas market,
- improving the security and safety of infrastructures, and
- reducing the risks associated with the carriage of oil and gas by sea in the Mediterranean basin.

Efficient, interconnected energy oil and gas transportation networks are a prerequisite for the economic development and the proper functioning of the future Euro-Mediterranean free trade area. In order to strengthen the security of supply around the Mediterranean basin and consolidate the Euro-Mediterranean energy market, it is essential for the European Union and the Mediterranean Partners to have reliable, diversified energy links. Furthermore, the energy distribution system between Mediterranean Partners is still limited and the gradual introduction of a fully integrated Euro-Mediterranean energy market requires the development of South-North and South-South interconnections, when appropriate, to increase energy exchanges in the region. This objective requires the consolidation of the existing interconnections and the development of new ones.

A certain number of gas infrastructures connect the areas of production in the Mediterranean to the centres of consumption in Europe and pass through Mediterranean countries. These are in particular the Maghreb Europe gas pipeline which originates in Algeria, crosses Morocco and serves Spain and Portugal, and the gas pipeline originating in Algeria which passes through Tunisia and serves Italy. Optimal exploitation of these infrastructures is conditional to their modernisation as well as the improvement of their energy efficiency and competitive utilisation conditions. The same applies to the already integrated electricity interconnections within the Maghreb and the Mashrek which need to be harmonised with those on the northern shore of the Mediterranean basin and whose operational safety needs to be improved.

The gradual implementation of new network interconnection projects should over time include the completion of the Mediterranean electricity and natural gas ring networks. To this must be added the importance of exploiting the transit potential of the Mediterranean region for supplying the Euro-Mediterranean area with resources from neighbouring countries, such as those from the Caspian Sea basin (Azerbaijan, Iran) with transfer through Turkey, from the Middle East (Iraq, Saudi Arabia) with transfer through Turkey, Syria and Egypt, and from Africa (Nigeria) with transfer through Algeria.

For oil, recent accidents involving the safety of tankers make it necessary to consider the advisability of transferring some of the volume carried by tankers to oil pipelines. The further development of double-hull technology for oil tankers is also welcomed in this respect.

In line with these objectives, the *ad hoc* working group on *interconnections* has made an assessment of the state of the gas and electricity networks and of the new projects. In addition to consolidating the existing networks, this has made it possible to identify a list of new priority projects for the security of supply and the consolidation of the future, integrated Euro-Mediterranean energy market.

1.1. Gas interconnections

In order to complete the Euro-Mediterranean gas ring network, to strengthen security of supply, and without prejudging any priority, the following projects have been identified as being of common interest for the convergence of Euro Mediterranean markets:

For the Maghreb region:

- reinforcement of transit and existing networks for the integration of the Euro-Mediterranean Gas Market;
- a gas pipeline supplying Spain and France from Algeria;
- a gas pipeline supplying Italy and France from Algeria (transit possible through Sardinia and Corsica);
- a gas pipeline from Libya to supply Italy (passing possibly via Malta).

and in general manner the gas pipelines supply EU from the maghreb region.

For the Mashrek region:

- an Arabian gas pipeline from Egypt and supplying Jordan, Syria, Lebanon and Turkey onshore or via Cyprus offshore,

For the Maghreb-Mashrek interconnections:

- the development of the gas interconnection between Egypt. Libya and Tunisia.:

For the South European and East Mediterranean basin region :

- the gas interconnection Turkey – Greece – Italy;
- the gas pipeline Turkey – Bulgaria – Rumania – Hungary – Austria;
- the gas pipeline Greece – FYROM – Serbia and Montenegro – Bosnia-Herzegovina – Croatia – Slovenia – Austria

These **three gas interconnections project** will enable the transportation of gas originating from the Caspian and Middle East regions to transit Turkey **and the connection to the EU**. In addition, it will be necessary to ensure that the Euro-Mediterranean market and the internal market of the enlarged EU including the accession countries are able to benefit from the potential of LNG from Egypt as well as Algeria.

1.2 Electricity interconnections

In the electricity sector, the existing interconnections and the planned North-South and South-South interconnections (when appropriate) and without prejudging any priority will help to strengthen the Mediterranean electricity ring network with a view to an integrated Euro-Mediterranean electricity market. It should in particular be emphasised that the electricity interconnections in the Mashrek and the Maghreb are operational, but require harmonisation at a different level. In addition, a particular effort should be paid to interconnecting the Maghreb and Mashrek subrings through Libya and to verifying the operational safety of the ring network once it has been closed. In addition, it will be necessary to note that Euro Mediterranean electricity ring operations lead to additional flux of electricity, necessitating the reinforcement of networks in the Balkans for reasons of safety.

In order to complete the Euro-Mediterranean electricity ring network and to strengthen security of supply, the following projects have been identified as being of common interest and as priorities:

Upgrading the Maghreb subring:

- Morocco - Algeria;
- Algeria –Tunisia;

Upgrading the Mashrek subring:

- Egypt – Jordan;
- Jordan - Syria;
- Syria - Lebanon.

Integration of the Maghreb - Mashrek subrings:

- Upgrading and harmonising the Tunisia - Libya interconnection ;
- Upgrading and harmonising the Egypt - Libya interconnection.

New South-North interconnection:

- Algeria - Spain interconnection;
- Italy - Tunisia interconnection.

Boosting South-North interconnection capacity and integration of the Euro-Mediterranean electricity markets and the south-eastern European market (currently being developed):

- Morocco - Spain;
- Greece - Turkey;
- Syria - Turkey (under discussion within the UCTE)

1.3 Oil interconnections

In 2001, the maritime trade (imports and exports) in oil and oil products in the Mediterranean between the EU and its twelve Mediterranean Partners totalled some 63 million tonnes.¹ However,

¹ EUROSTAT. programme Medstat.

if all the oil and oil products imported into the Euro-Mediterranean area are included, this total increases to 395 million tonnes, which is transported in some 800 tankers which are continuously moving. This is particularly intensive traffic for an enclosed sea, which is environmentally highly fragile.

For the Euro-Mediterranean area in general, it is necessary to stress that in view of recent accidents involving the maritime transportation of hydrocarbons and the particular vulnerability of the straits and canals at the inlets of the Mediterranean for this type of transport, it is fundamental to significantly reduce this traffic by transferring the volumes transported by water to oil pipelines which constitute a much safer method of energy transport and respects the environment, provided technical, economic and environmental feasibility of the latter are confirmed.

For the Bosphorous Strait it should be stressed that following the break-up of the former Soviet Union and the resulting development of the resources of the Caspian Sea basin, the carriage of oil by sea through the Black Sea has increased significantly. Figures for 2002 indicate that a total of 122 million tonnes of oil were carried through the Bosphorous in 7400 tankers. In this respect the development of hydrocarbon land transport projects such as the Burgas - Alexandroupolis and the Constantza – Trieste oil pipeline should be envisaged.

With relation to other Mediterranean nevralgic points, these oil pipelines which would enable the Euro-Mediterranean oil market to be supplied with resources from Algeria, Libya and Syria as well as from Saudi Arabia and Iraq (with transit through Egypt, Turkey and Lebanon) could also be envisaged.

Finally, the development of these oil networks should in the future, following the pattern of the electricity and gas networks, constitute an important axis of cooperation in the Euro-Mediterranean dialogue. Initially, it would be necessary to conduct feasibility studies to assess the cost of construction of new oil pipelines as compared with the cost of carriage by sea, together with an estimate of the safety cost.

2. Energy policy activities of a regional nature

The development of a Euro-Mediterranean energy policy is inconceivable without specific activities covering reform of the energy sectors of the partner countries, efficient energy demand management, efficient use of energy, the development of renewable energy sources, integration of the regional energy markets, the security of energy supply, safety in the carriage of hydrocarbons by sea, the harmonisation of information and statistical systems and a common policy within the multilateral organisations which directly or indirectly deal with energy issues. In this framework, on the basis of the work of the ad hoc group on energy policy, the Forum confirms and adopts the following priorities:

- a) *cooperation between the Mediterranean countries and the EU on gradual reform in the energy sector* with a view to opening up the gas and electricity markets. This requires in particular:
 - the development of common rules for the establishment of a harmonised legal framework for reforms in the energy sector;
 - the gradual reduction of fossil fuel and other subsidies which hamper the efficient use of energy;
 - the establishment of rules for transparent energy charging so that energy tariffs reflect costs;
 - the setting of rules for energy regulation and transmission system operation;

b) *promotion of the regional electricity and gas market (including NG, LNG and LPG) by :*

- as a first step, creating a regional energy market within the Maghreb based on the rules governing the EU internal market, including Morocco, Algeria and Tunisia, and possibly Libya, depending on its progress in taking part in the Barcelona Process. To this end, an agreement between these countries and the EU could be considered quite quickly provided that specific commitments on the adoption of common rules and standards are given by the countries concerned. The Memorandum of Understanding on cooperation for the regional electricity market of southeastern Europe could serve as a basis for the Euro-Maghreb electricity market. As a second step, this process could be extended to cover the other countries engaged in the Barcelona process;
- cooperation for the standardisation of common rules for the electricity and gas markets reflecting the principles of reciprocity, competition, safety and security.

c) *promoting security of supply and the safety of hydrocarbons carried by sea by:*

- strengthening cooperation between the European Union and its Mediterranean Partners regarding security of supply;
- Euro-Mediterranean cooperation on the prevention of pollution due to the carriage of hydrocarbons by sea, in particular in the context of the measures taken by the EU following the “Prestige” accident, such as the further development of the double-hull technology;
- encouraging the use of indigenous fuel sources where economic, and consideration of alternative fuels in the transport sector.

d) *support for the development of energy efficiency policies, based on European experience and with a view to energy conservation, in particular by:*

- informing economic and development policy makers about the long and medium term environmental concerns, the associated economic and social costs, the prospects of a policy to limit energy demand growth and the sources of funding available from the GEF and the clean development mechanisms provided for in the Kyoto Protocol;
- supporting reforms and the application of the legislative and regulatory framework, in particular in the fields of buildings and transport, following the example of EU legislation;
- carrying out awareness campaigns and providing fiscal and administrative incentives for the general public aimed in particular at residential dwellings and governmental and semi-governmental buildings;
- encouraging the creation of Energy Service Companies (ESCs) and targeted fiscal measures to encourage industry to reduce its energy needs;
- introducing emission control measures for vehicles and urban transport vehicles and optimising public transport policies and traffic flows;
- optimising electricity production, transmission and distribution (identification of production yield losses and line losses during transmission and distribution as well as yield improvement);
- disseminating information about more efficient technologies and management methods.

e) *the promotion of renewable energy and new technologies* on the southern shore of the Mediterranean by:

- increasing the use of renewable energy sources such as wind, solar, hydro, geothermal and biomass in the Mediterranean Partners' energy balance;
- carrying out studies on the potential and requirements for introducing or extending the use of renewable energy sources, the definition and promotion of incentives, in particular fiscal measures, and the identification of obstacles to the opening up and development of markets for this type of energy;
- increasing the use of clean and environment-friendly technologies with particular reference to clean coal;
- the possible establishment of new and specific funding mechanisms to promote the use of renewable energy sources.

f) *enhanced Euro-Mediterranean cooperation within the international institutions* which directly or indirectly deal with energy issues, such as:

- the Energy Charter, which promotes trade in energy and investments;
- the Convention on Climate Change (UNFCCC) and the Kyoto flexibility mechanisms, especially CDM, where appropriate;
- the Coalition of the Willing (Johannesburg);
- the IMO for issues relating to safety of the carriage of hydrocarbons by sea.

3. Regional economic activities

Based on the proven reserves of oil and gas in the Mediterranean basin, it seems that the region will become a net importer in 2020 from a net exporter at present, which could have significant implications for the Euro-Mediterranean energy policy. Natural gas will partially substitute oil, mainly for electricity generation. The region has significant renewable energy sources potential which will be exploited substantially (hydroelectric plants, wind plants and solar systems). However, these preliminary ideas are based on fragmented, non-harmonised data. In view of the importance of these prospects for Euro-Mediterranean security of supply and the importance of the harmonious economic development of all Mediterranean countries, whether they are producer, transit or consumer countries, particular attention needs to be paid to the prospective models which govern long-term investments in the energy sector. Furthermore, the introduction of new technologies should also be promoted upstream of the Mediterranean producer countries to improve exploration rates and the recovery of resources.

In this context, against the background of energy prospects and economic assessment and on the basis of the analysis and recommendations of the ad hoc group on *economic analysis*, the Forum confirms:

- the importance of cooperation on harmonising the data which is used for the analysis of energy policy and balance on the basis of models developed and used within the EU;
- the promotion of Euro-Mediterranean cooperation around Eurostat;
- support for energy planning and actions to encourage energy investments not involving interconnections;
- the development of a consistent training activity for economic analysis to improve demand management on the basis of the EU policy in this area.

Establishment of mechanisms to facilitate the funding of projects of common interest and the development of industrial cooperation in this respect

1. Mechanisms to facilitate the financing of projects of common interest

In order to meet concerns about the security and diversification of supply over the next 20 years and the creation of a fully integrated and interconnected Euro-Mediterranean market, several tens of billions of euros will need to be invested in the EU's Mediterranean partner countries, the political character of which and the slowness of the reforms in which not only discriminate against Mediterranean operators vis-à-vis European operators with regard to access to international financing but also makes it more difficult to attract private European investors to the region.

Furthermore, investment in the energy sector and in particular in oil and gas requires enormous volumes of financing which bring the Mediterranean region into strong competition with the other main producing regions in the world. In this context, the legitimate concern of operators to cover this costly investment through long-term contracts legitimised by European legislation is understandable. However, in addition to the commercial risk involved in long-term contracts, there is also the question of the financial coverage of the non-commercial risk.

The importance of carrying out an analysis, in collaboration of the EIB, on the development of new financial products or of products currently not very available, for the strengthening of the own funds of the companies, such as participative or conditional loans, subordinated loans or guarantee funds, intended to facilitate the concretisation of the regional projects of common interest is therefore priority, while keeping in mind that the financing of the infrastructures pertains initially to the private sector and that there is a certain restricted number of public or private financial organisations giving credit insurance for account of State. In addition, it is also important that a legal framework conducive to private investment should be rapidly introduced in all the Mediterranean countries. Lastly, all the private and public sources of financing available should be utilised and combined to the best effect. In this context, the recent creation of a regional capital risk fund for the Mediterranean countries through an alliance between the EIB and European deposit and saving funds, destined to help SMEs in Mediterranean countries constitutes notable progress. A similar initiative, in the framework of the FEMIP, designed to help companies on the southern shores of the Mediterranean to participate in energy projects of common interest identified within the framework of the Forum deserves analysis.

Accordingly, the Forum confirms the following actions to support the financing of infrastructure projects of common interest:

- Promotion of private energy investment and infrastructure financing through modern financial mechanisms and funding schemes, including the new Facility for Euro-Mediterranean Investment and Partnership (FEMIP) of the European Investment Bank (EIB);²

² EIB loans in the Mediterranean largely focus on the energy sector, the amount of current EIB loans in the sector totalling some EUR 1 500 million.

- **Conducting an analysis, in collaboration with the EIB and other financial organisations such as MIGA, on the development of new Euro Mediterranean financial products with regional character in which the IFIs, the States and the private financial sector of the Mediterranean Partners and the EU could participate, for the realisation of important energy infrastructure projects and of regional projects of common interest. They ask the results of this analysis to be presented to the Rome Ministerial Conference in December 2003.**
- Development, where necessary, of attractive legislation ensuring better protection for private investors on both shores of the Mediterranean for projects of common interest;
- Making the best use of the Community assistance offered by the MEDA programme for the technical, economic, environmental and financial preparation of these projects. The energy sector should therefore be given greater financial support under the MEDA programme for both bilateral and regional projects.

2. Development of industrial cooperation

Private industry is the driving force behind a genuine Euro-Mediterranean energy policy. The construction of an integrated and interconnected market ensuring freedom of competition, consumer interests, security of supply, infrastructure safety, competitiveness and environmental protection is inconceivable without close collaboration with industry.

On the basis of the analyses of the three ad hoc groups, the Forum confirms the following priorities:

- industrial cooperation between European companies and companies of the Mediterranean Partners, in particular for the transfer of technology in the energy sector and notably modern technologies:
 - for upstream oil and gas prospecting and production to identify resources and improve their recovery;
 - in the field of the transport and storage of hydrocarbons;
 - in the refining industry, with a view to adapting it to international oil product specifications;
 - in the petrochemical industry;
 - for the production of electricity, in particular using co-generation technology;
 - for network security, safety and reliability;
 - for the production of electricity from coal (clean technologies);
 - to improve energy efficiency and energy conservation and develop alternative energy in the buildings and transport sector;
 - for the development of renewable energy sources.
- with regard to cross-investment, the removal of all regulatory obstacles to the right of establishment of companies from the countries of both shores of the Mediterranean, and the facilitation of joint ventures in the energy sector,
- with regard to promoting renewable energy sources the production costs of which remain high, the facilitation of financial support from the EU and the countries participating in the Euro-Mediterranean Partnership,

- with regard to network safety and security, the European GALILEO³ satellite navigation project can in future play an important role in improving the safety and security of fixed and mobile energy production and transport infrastructure. It would be beneficial to develop now, ahead of the operational implementation of GALILEO, dialogue between the EU and the Mediterranean countries on promoting and using future practical applications of the system in the energy sphere, in particular concerning the construction and maintenance of energy infrastructure (gas pipelines, oil pipelines, storage facilities, high-voltage lines), the monitoring of tankers at sea, and of lorries and tanker wagons transporting hazardous products.

³ GALILEO should be fully operational as from 2008.

Development of logistical support to the Forum to monitor the implementation of a Euro-Mediterranean energy policy on the basis of the priorities for 2003 – 2006

The Brussels Conference held in 1998 set up three ad hoc groups to monitor the development of the 1998-2002 action plan in which industry and the international financial institutions participated. Each meeting of the groups brought together over a hundred experts.

The 1998-2002 action plan and the work of the groups necessitated a Community financial outlay of a dozen million euros, to which should be added the co-financing provided by the Mediterranean Partners for the following regional MEDA technical assistance projects:

- Support for the ad hoc groups of the Euro-Mediterranean Energy Forum
- Reform of the energy companies
- Reform of the legal and institutional frameworks
- Applications of thermal solar energy
- Mediterranean Electricity Ring
- Energy and urban environment
- Mediterranean Energy Policy Training Network

Not all these projects were totally completed for various reasons concerning the large number of players involved and the organisational complexities which will need to be overcome with a view to closer coordination and more effective monitoring of the implementation of the 2003-2006 priorities.

With regard to support from the MEDA programme, the funds allocated so far by the EU and the energy cooperation partner companies are insignificant given the reform and investment needs⁴ in this key sector of Euro-Mediterranean cooperation. There are four national projects in addition to the seven regional projects mentioned above involving a total amount of 49 million euros, which should be compared with the overall MEDA budget for the period 2000-2006 (5.35 billion euros), i.e. less than 1% for such an important sector in the context of the future free trade area.

In addition, the regional programming for 2002-2004 only provides for a small budget for energy (4 million euros) and energy is completely absent from the national indicative programming for the same period.

Taking these considerations into account and on the basis of the analyses carried out by the ad hoc groups, the Forum stresses the importance of:

⁴ Investment needs in the Mediterranean Partners' energy sector over the next 20 years are estimated at between 350 and 500 billion euros, taking into account their economic development prospects. Source: study carried out by the economic analysis group of the Euro-Mediterranean Energy Forum.

- ensuring synergy between the priorities for 2003-2006, with a view to the gradual establishment of a genuine Euro-Mediterranean energy policy;
- optimising the use of Community resources and those from the Mediterranean Partners by focusing them on concrete actions for 2003-2006;
- capitalising on the technical assistance work prepared under the 1998-2002 action plan which constitutes a major data base for the future;
- active and direct quasi-permanent participation of the authorities of the Euro-Mediterranean Partners for more effective implementation of the priorities and concrete actions for 2003-2006.

The Forum confirms that, with regard to the implementation of priorities for 2003-2006, considering that the ad hoc groups have attained their objectives and concluded their work, it is important to give the Euro-Mediterranean Energy Partnership logistical support to the Forum through which the representatives of the Euro-Mediterranean Partners would be directly involved.

This non-institutionalised support would remain an emanation of the Forum – and report to it. Its principal role would be to ensure the implementation of the 2003-2006 priorities decided upon and to regularly report to the Forum. The working modalities of this support should be studied without delay in order to ensure the continuation of the Euro-Mediterranean Energy Forum activities and will be the subject of a proposal which will be presented by the Forum Secretariat during the Ministerial meeting in Rome in December 2003.