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**2005 Annual Progress Report on the Implementation of the
Northern Dimension Action Plan**

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ANNEX: Guidelines for a ND political declaration and a policy framework document as from 2007

1. INTRODUCTION

The Commission produces every year an Annual Report on the Northern Dimension policy. These Reports were mentioned in the “Full Report on Northern Dimension Policies”¹, endorsed by the Gothenburg European Council in June 2001

This is the 2005 Annual Report on the Second Northern Dimension Action Plan, covering the period January-December 2005. It is therefore the second Annual report on the Second Action Plan and it follows the first one produced by the Commission for the Council and European Council in June 2004².

The EU enlargement of 1 May 2004 is now consolidated. It represented an important event for the Northern Dimension policy. Since that date eight of the nine States in the Baltic Sea Region are EU Member States. As a result of this the Northern Dimension policy increasingly concentrates on relations and cooperation with North West Russia, something that was already foreseen in the text of the Second Action Plan itself.

2005 represented a turning point in the Northern Dimension policy: at the Ministerial meeting of 21 November, all Northern Dimension parties adopted the “Guidelines for a Northern Dimension political declaration and a policy framework document as from 2007” establishing the basis for new basic Northern Dimension documents that should be jointly drafted and approved in 2006 before the Second Action Plan expires. A specific chapter of this annual report is dedicated to this topic.

The Commission continued playing in 2005 a particularly active role in the implementation, coordination and monitoring of the Second Action Plan through, for example, the preparation and participation at the Ministerial meeting, its participation in the meetings of the Chairs of the four regional organizations in the North and by continuing compiling the list and basic description of Northern Dimension current projects of all stakeholders in the Northern Dimension Information System which is located in the Commission’s External Relations website. The Commission has a network of correspondents across its services who deal with Northern Dimension issues: the Inter Service Group for Northern Dimension and the Arctic. The Inter-service Group meets regularly, is chaired by RELEX E (which also provides the secretariat) and maintains a permanent information flow and consultation between its members.

2. THE POLICY FRAMEWORK

2.1. The Second Northern Dimension Action Plan 2004-06³.

The Northern Dimension Second Action Plan covers the period 2004 - 2006. It was proposed by the Commission in June 2003, approved by the General Affairs Council on 29 September 2003 and endorsed by the European Council in Brussels on 16 and 17 October 2003⁴.

¹ Available at: http://europa.eu.int/comm/external_relations/north_dim/doc/full_report.pdf

² http://europa.eu.int/comm/external_relations/north_dim/doc/rep2004_annual_action_plan_report.pdf

³ The full text of the Northern Dimension Second Action Plan is available at:
http://europa.eu.int/comm/external_relations/north_dim/ndap/ap2.pdf.

For the period 2004-2006, the Second Northern Dimension Action Plan announces a set of priorities, objectives and actions for implementation through the external and cross-border policies and programmes of the European Union, as well as through the policies, projects and activities carried out by all the other Northern Dimension stakeholders.

The important role of the four Regional Organizations in the North, i.e. the Council of the Baltic Sea States (CBSS), the Barents Euro-Arctic Council (BEAC), the Nordic Council of Ministers (NCM) and the Arctic Council (AC) for the Northern Dimension implementation is highlighted in the Second Action Plan. Subsidiarity and synergy between the different Northern Dimension actors is highly encouraged and is also the dim for the activities of other Northern Dimension stakeholders, such as the international financial institutions, regional and local authorities, education and research institutions, civil society, etc. The Second Northern Dimension Action Plan itself is based on the proposals made by the Commission and the Northern Dimension partners.

The Second Action Plan establishes five priority areas: economy, business and infrastructure, social issues (including education, training and public health), environment, nuclear safety and natural resources, justice and home affairs and cross-border co-operation. Within each of these areas, the second Action Plan proposes specific objectives, and indicates the priority actions to be followed in order to achieve these objectives. The Second Action Plan stresses the need to pay particular attention to the two geographical zones covered by the Northern Dimension where specific development gaps or sectoral problems exist, namely the Arctic and sub-Arctic regions and the Russian Kaliningrad Oblast.

Concerning indigenous peoples' issues the Commission's inter-service group on this topic was "up-graded" in 2005 and become an independent group from that on Human Rights; this is in line with the Commission's decision to make the protection of indigenous peoples a cross-cutting sector of its cooperation policies world wide. Furthermore, activities of the Northern Dimension on indigenous peoples have been complemented in 2005 through the EIDHR (European Initiative for Democracy an Human Rights) grant contract (for 372560 EUR) signed with RAIPON - the Russian Association for Indigenous Peoples of the North, Siberia and the far east. The objective of the project is to build the capacity for the legal protection of Russian indigenous peoples' rights.

2.2. The future of the Northern Dimension policy and the Ministerial Meeting of 21 November 2005

The Commission took the initiative in 2005 of launching an open debate on the future of the Northern Dimension policy on the middle of the implementation of the Second Action Plan and one year before its conclusion. After discussing this topic with the EU Member States, the Commission distributed in mid May 2005 a non paper called "Northern Dimension Options beyond 2006" to all the non EU parties, i.e. the Russian Federation, Norway and Iceland. The Commission also passed on this document to the four regional organizations in the North, via the annual coordination meeting held in Stavanger on 24 May. In general the reaction was positive, Russia took a reserved position. Negotiations then were initiated in order to achieve a common ground for the November Ministerial meeting.

⁴ The Presidency Conclusions of the European Council of 16/17 October are available at: <http://ue.eu.int/pressData/en/ec/77679.pdf>

Subsequently the Commission produced draft guidelines for a “Northern Dimension political declaration and a policy framework document” trying to reflect some of the reactions received. Following discussions within the EU, the document was distributed before the summer. Norway and Iceland gave their support and Russia gave indications that it would be satisfied with the general approach. Negotiations with Russia in October and November gave a positive result and the Northern Dimension Ministerial meeting of 21 November in Brussels, was highly successful.

The Ministerial meeting was hosted by the United Kingdom EU Presidency and chaired by the UK Foreign Secretary Mr. Straw. It was attended by the Foreign Affairs Ministers or their representatives of all Northern Dimension parties, i.e. the 25 EU Member States, Iceland, Norway, the Russian Federation as well as by the European Commissioner for external relations, Mrs. Ferrero-Waldner. The meeting was also attended by high representatives of the four regional organizations in the North, the European Parliament, the Council Secretariat, the European Economic and Social Committee, the Committee of the Regions, the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Nordic Investment Bank (NIB). Canada and the United States participated as observers.

The Ministerial meeting focussed on the future of the Northern Dimension and adopted unanimously the “Guidelines for a ND political declaration and a policy framework document as from 2007”⁵ The presence at the Ministerial meeting of the Russian Minister of Foreign Affairs, Mr. Lavrov, was particularly welcomed by several interventions, as a signal of Russian commitment to the principles of the new Northern Dimension.

The Guidelines stressed that the Northern Dimension policy should become a shared policy of all actors in the North, i.e. its ownership should be shared. Moreover according to the Guidelines the Northern Dimension should be the regional expression in the North of the EU/Russia four Common Spaces⁶,

The Guidelines recognize that the particular added value of the Northern Dimension is cross-border and regional (sub-state) / civil society cooperation. The Guidelines also describe the various cooperation sectors within the Northern Dimension and declare that for implementation purposes the parties should focus on a realistic number of themes to be decided jointly, in order to maximize the use of the limited resources. The Northern Dimension Environmental Partnership is acknowledged as a successful enterprise and considered as a model for possible future partnerships.

The future political declaration and framework policy document will set up a more stable basis for the Northern Dimension than the current system of three-year Action Plans, therefore intending to be a permanent forum on Northern issues / concerns. However the new basic Northern Dimension documents would be updated when the parties feel it is necessary. The Guidelines define again the Russian Kaliningrad oblast and “the extensive Arctic and Sub-arctic areas, notably those of North West Russia” as priority geographical areas for the Northern Dimension.

⁵ http://europa.eu.int/comm/external_relations/north_dim/doc/guidelines05.pdf

⁶ http://ec.europa.eu/comm/external_relations/russia/intro/index.htm#comm

The Guidelines declare that adequate financial support is an important factor for the efficient functioning of the Northern Dimension policy. The principle of co-financing from the EU, Russia, other parties, regional organizations as well as from international and private financial institutions where appropriate, should be the general rule. From the EU side, the European Neighbourhood Policy Instrument (ENPI) will be the natural EU financial source to feed the activities of the new Northern Dimension policy.

2.3. European Union Institutions other than the European Commission

In addition to the Ministerial meeting and the regular follow-up on Northern Dimension issues made by the Eastern Europe and Central Asia Council's Group (COEST), the other EU institutions have continued their engagement in the Northern Dimension policy.

The European Parliament held a plenary debate on Northern Dimension on 8 September 2005. Commissioner Michel on behalf of the Commission replied to many questions from MEPs concerning the future of the Northern Dimension policy, its financing, the state of the Baltic Sea, etc. On 16 November 2005 just ahead of the Northern Dimension Ministerial meeting, the European Parliament adopted a resolution on the future of the Northern Dimension⁷. The resolution, among other things, stresses that the Northern Dimension must be given a higher profile in order to attain its objectives and calls on the Commission to create a comprehensive approach in the external Northern Dimension policies of the Union, both bilateral and multilateral, including the Baltic Sea and Barents region as well as the Arctic as a whole. One day before, on 15 November 2005, the "Baltic Europe" Intergroup of the European Parliament proposed a document called "Europe's strategy for the Baltic Sea Region". Finally, the institutional contacts between the European Parliament and the Baltic Sea Parliamentary Conference were reinforced with the presence of MEP Diana Wallis at the plenary Conference in Vilnius on 29 and 30 August 2005.

The European Economic and Social Committee adopted an opinion on the implementation of the Second Northern Dimension Action Plan in its plenary session of 28 September 2005, as its contribution to the Northern Dimension Ministerial meeting. The EESC feels that there is a limited knowledge of the Northern Dimension policy among the Civil Society organizations and proposes, among other things, that civil society actors should be more involved in EU/Russia cooperation.

2.4. Regional Organizations of the North

The President of the Commission, Mr. Barroso, opened the Baltic Development Forum Summit in Stockholm on 16 October 2005. More than 400 business executives, high-level politicians, leading researchers and media representatives met to discuss business opportunities, regional strategies and to network in an informal atmosphere. The main theme of the Summit was competitiveness and innovation, and a significant part of it was dedicated to the new Lisbon Strategy and to how its implementation can be ensured through national and regional ownership.

⁷ <http://www.europarl.eu.int/omk/sipade3?PUBREF=-//EP//TEXT+TA+P6-TA-2005-0430+0+DOC+XML+V0//EN&LEVEL=1&NAV=S&L=EN>

The Commission continued in 2005 to closely cooperate with the four regional organizations in the North: The Council of the Baltic Sea States (CBSS), The Barents Euro-Arctic Council (BEAC), the Nordic Council of Ministers (NCM) and the Arctic Council (AC).

The Commission, represented by the Relex Deputy Director General, Michael Leigh, participated in the 13th Ministerial Session of the Council of the Baltic Sea States held in Szczecin, on 9 and 10 June 2005 and closing the Polish CBSS Presidency. The main issues discussed at the Ministerial Session were⁸: cooperation in the Baltic Sea region and the strengthened role of the CBSS, cross-border and transnational activities as means to enhance economic ties and further consolidate democratic civil societies, increased environmental protection in the Baltic Sea area, *i.a.* combating land-based pollution sources and ensuring maritime safety, using the region's economic potential and increasing its competitiveness, civil security issues and the euro-faculty project in Kaliningrad. The Ministerial Session welcomed the Icelandic CBSS Presidency.

The Commission as CBSS member, participated throughout 2005 in the meetings of its Committee of Senior Officials (CSO), both under the Polish and Icelandic Presidencies: Olsztyn / Kaliningrad (April), Gdynia, Copenhagen (May), Szczecin (June), Turku (September) and Reykjavik (November). Moreover, the February CSO meeting was held in Brussels on 3 and 4 February, co-organized by the CBSS Polish presidency and the Commission, facilitating an open debate between the CBSS CSO members and Commission officials. Finally, the Commission participated in a number of subordinate/linked entities to the CBSS and followed up the work of its Working Groups.

As for the Barents Euro-Arctic Council (BEAC), the Commission participated in the Ministerial meeting in Harstad (Norway) on 8 November 2005, represented by Mr. Janos Herman, Relex Principal Advisor for Regional Cooperation. The main points of discussion were the economic development in the region, a safe and sound environment, human and social development and mechanisms of cooperation. The Harstad Ministerial meeting closed the Norwegian BEAC Presidency which was passed on for the next two years to Finland. Similarly, the Commission participated as BEAC member in the CSO meetings under the Norwegian Presidency, respectively in Copenhagen (February), Mo i Rana (April), Brønnøysund (June), Longyearbyen (September) and Harstad (November). The Commission attended the Barents Rescue Exercise in the Norwegian region of Finmark in September and took part in the drafting of a Draft multilateral agreement in the field of emergency and rescue operations in the Barents Region.

The annual co-ordination meeting of the Chairs of the Senior Officials Meetings of the four Northern regional organizations and the Commission was held in Stavanger (Norway) on 24 May at the initiative of the BEAC Norwegian Chair.

The Commission continued to follow the activities of the two Northern regional organizations, of which it is not a member, *i.e.* the Nordic Council of Ministers and the Arctic Council. The Commission participated at the Senior Arctic Officials meeting in Khanty-Mansiysk (Russia) in October.

⁸ http://europa.eu.int/comm/external_relations/north_dim/doc/com2005_13th-cbss_09-06-05.pdf

2.5. Canada and the US

Both US and Canada have an observer status in the Northern Dimension and participate in the Ministerial meetings and the Senior Official Meetings, reflecting their Arctic and Sub-arctic interests, their respective Arctic Council membership and their activities in the Northern Dimension area: e.g. Canada's participation in the NDEP Fund and US E-Pine programme. Canada was particularly active at the 2005 Northern Dimension Ministerial, requesting continued EU support for High North issues. Canada launched in 2005 its wide preparation programme for the 2007/2008 International Polar Year with CAN \$ 150 million of investments foreseen. At the EU / Canada high level meetings, the cooperation on High North issues was a constant point in the agenda.

3. THE PRIORITY SECTORS IN THE SECOND NORTHERN DIMENSION ACTION PLAN

3.1. The Northern Dimension Information System⁹

The Commission launched in 2005 the second edition of the Northern Dimension Information System (ND Sys), which as in the 2004 edition tried to prepare a comprehensive list of Northern Dimension projects being implemented, recently completed or about to be initiated by all Northern Dimension actors and stakeholders. The ND Sys objectives remain to increase visibility of the policy, encourage exchange of information between the Northern Dimension partners, and facilitate stakeholders' participation in projects, therefore maximizing their potential synergy.

The ND Sys is located on the RELEX website of the European Commission (Northern Dimension policy webpages) which is accessible to everyone interested. The Commission therefore fulfils the mandate on information flow contained in Second Northern Dimension Action Plan in its first year of implementation (2004): *“The flow of information on Northern Dimension activities and achievements among partners will help to avoid duplication and overlap, identify gaps, and share best practices. The Commission is ready to compile and circulate this information among all interested stakeholders, but an effective information exchange will depend on the contributions of all partners”*. Contact points designated by each Northern Dimension partner, by regional organisation and International Financial Institution have been responsible for the overall coordination of the process and for forwarding contributions to the Commission.

The second edition of the ND Sys was done through the support tool used by the Commission's polls and used a more friendly format for users than in the 2004 edition. The 2005 edition also ensured that the final presentation of the data collected by the different Northern Dimension stakeholders would be done in a harmonized manner.

⁹ NDSys is accessible through “Europa” at http://europa.eu.int/comm/external_relations/north_dim/nis/index.htm

<i>Northern Dimension Information System</i>		
Background information		
Action plan priority area		
	Number of requested records	% of total number records
Human Resources, Education, Scientific Research, Culture and Public Health	118	(38.3%)
Environment, Nuclear Safety and Natural Resources	81	(26.3%)
Economy, Business, Infrastructure	52	(16.9%)
Cross-Border Cooperation & Regional Development	46	(14.9%)
Justice and Home Affairs	11	(3.6%)
Is the project relevant for Kaliningrad or the Arctic Region?		
	Number of requested records	% of total number records
Arctic region	123	(39.9%)
not directly relevant	120	(39%)
Kaliningrad	65	(21.1%)
Current status		
	Number of requested records	% of total number records
Ongoing	243	(78.9%)
Concluded	40	(13%)
Under preparation	25	(8.1%)
Costs		
Range of total costs		
	Number of requested records	% of total number records
150.000 - 500.000 euros	95	(30.8%)
20.000 - 150.000 euros	88	(28.6%)
> 1.500.000 euros	71	(23.1%)
< 20.000 euros	28	(9.1%)
500.000 euros - 1.500.000 euros	26	(8.4%)

3.2. Economy, Business, Infrastructure

3.2.1. Trade, Investment Promotion and Business Cooperation

3.2.1.1. General

Economic growth in Russia remains strong, albeit showing signs of gradual deceleration. In 2005 real GDP growth is expected to be around 6,2%, down from 7.2% in 2004. In 2006-2007 growth is likely to be at around 5%. Industrial production growth in 2004 was 7.3%, but declined to just 4% in 2005. The weakening growth performance despite the continuing high prices of Russia's main exports (Russia is the world's second biggest oil exporter and the world's number one gas exporter) is explained by production costs increasing faster than productivity and by relatively low investment and growing capacity constraints, specifically in the extraction sector. During the second half of 2005, a slowdown in investment (domestic and foreign) was reversed, and growth was more investment than consumption-driven in the latter part of 2005. Yet, for 2005 as a whole, domestic consumption was still the main growth driver.

Russia is now EU's third most important trading partner, behind the US and China. Moreover, the EU continues to be by far Russia's most important partner in trade, investment and economic cooperation. EU-Russia bilateral trade (import + export) is now at € 162 billion; the EU runs an important trade deficit with € 50 billion. Overall, trade between the EU and Russia grew by more than 20 % in 2005 compared to 2004.

Though improving, the full potential of trade and economic relations between the EU and Russia has yet to materialise and still faces serious regulatory challenges. Therefore, the implementation of roadmaps on the Common Economic Space remains a key instrument for the development of both trade and economic cooperation with Russia. Since mid 2005, some 13 sector dialogues have been created between EU and Russia with the main objective to both promote regulatory convergence, and a better integration of Russia in the world economy.

3.2.1.2. Regulatory reform in Russia

The macroeconomic situation with robust growth rates over the past few years has been very favourable for the investment and business environment in Russia. Yet there remain obstacles to improving the business environment that pertain not to the macroeconomic conditions but rather to regulatory issues.

The Commission has continued to assist and encouraged in 2005 regulatory reform in Russia, particularly focussing on approximation of technical regulations and standards, as well as in specific sectors, mainly through the implementation of a TACIS project. As part of the project, a workshop on technical regulation and standardization issues was held in Brussels on 7 February 2005 which attracted a large number of EU and Russian officials.

3.2.1.3. Russian integration with the international and EU economy.

The major economic challenge that Russia is facing is the achievement of sustainable growth, based on a diversified economy. Russia's dependence on the export of a limited range of products makes it vulnerable to external shocks. On the structural side, Russia's main challenge will be to restructure large state-controlled monopolists in key economic sectors

(banking, electricity, gas) and creating legal and regulatory frameworks that combine robust competition with effective regulations.

Russia's accession to the WTO will be an important element in achieving these aims.. Negotiations on the terms of accession are still ongoing, in spite of a bilateral agreement with the EU in May 2004.

The Russian investment climate still suffers from increased uncertainty since mid-2003 in government-business relations, including expectations for increased discretionary state intervention in the economy. Nonetheless, the quality of Russia's business environment compares relatively favourably with that of the other major emerging economies. According to the World Bank survey of business regulations and their enforcement, "Doing Business 2005", Russia ranks 79th out of 155 countries, well *above* countries like Brazil, China and India.

EU and Russia are now entering the substantive phase of work on a new PCA, but many of the related goals are already contained in existing instruments, most notably the common economic space, where the EU is pursuing further economic integration. The new agreement will have a strong economic and trade component with a specific focus on regulatory issues.

3.2.1.4. Customs

EU cooperation in this domain has mainly been implemented in 2005 in the context of the Common Economic Space with Russia (where customs aspects and trade facilitation are of great importance) and in parallel with the other EU neighbours through the European Neighbourhood Policy.

An important customs conference took place in this context in Kiev on 5-6 October 2005, where EU Member States and Candidate Countries, as well as Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Russia and Ukraine adopted high level commitments in this field. A follow-up Conference will take place in Northern Finland in mid-December 2006.

A High Level Customs Cooperation Working Group has been set up in the framework of the Council of Baltic Sea States (CBSS). It met for the first time in Warsaw on 31 May 2005 and adopted its draft mandate. This group addresses "local questions of regional relevance, focussing on added value" as expressed in the Communiqué of the CBSS Ministerial Session of June 2005.

3.2.1.5. EU Maritime Policy

On 2 March 2005, the European Commission decided to start work on a Green Paper for a Maritime Policy. A strong case can be made for Europe to look at ocean and sea affairs in a more coordinated way, rather than in the current sectoral manner. The Strategic Objectives of the Commission for 2005-2009 noted "the particular need for an all-embracing maritime economy and the full potential of sea-based activity in an environmentally sustainable manner". Adoption of the Green Paper is foreseen for 31 May 2006. The Green Paper will be the basis for a broad consultation until the end of June 2007. It is not likely that the Green Paper will propose anything specific for the Northern Dimension, but it will deal with many issues that are relevant for the Northern Dimension, such as maritime governance, spatial planning, climate change, environment, data, monitoring and surveillance.

The background to the decision of the Commission of 2 March and guidance for its further work towards the adoption of the Green Paper are contained in the Communication "Towards a future Maritime Policy for the Union - A European vision for oceans and seas".

3.2.2. *Energy*

EU enlargement and international trends in energy, notably growing global demand and trade, and major investment challenges throughout the sector, underline the importance of Northern Dimension co-operation in this field. The region, with both producers and consumers, can make progress on concrete projects and establish essential frameworks, pointing the way for others.

3.2.2.1. The EU-Russia Energy Dialogue

Since its launching at the Summit between the European Union and the Russian Federation in October 2000, the energy dialogue set out above all to resolve "all questions of common interest relevant to this sector". The EU-Russia Energy Dialogue is now part of the Common Economic Space (CES).

Several issues addressed since then are now close to solution. In 2005, major progress has been registered in the following issues:

- Infrastructure projects of common interest: The Trans-Baltic North European Gas-pipeline was the subject of an agreement between BASF/Wintershall and Gazprom signed on 11 April 2005. The contract for building the pipeline has been signed in September, in the presence of President Putin and Chancellor Schröder. The construction officially started last December.

After several years of preparation, the context of integrating the EU and Russian electricity markets, a study on the investigation of the feasibility of a future synchronous interconnection of the electricity transmission systems of UCTE and IPS/UPS¹⁰ has begun on 20 April 2005.

- Four Thematic Groups: In order to enhance the involvement of the energy business sector, four thematic groups have been established to outline priority areas of co-operation and identify concrete projects to be targeted in the fields of infrastructures, investments, energy efficiency and trade.

The Thematic Groups bring together more than 100 representatives of the Russian Government, EU Member States, International Financial Institutions such as the European Bank for Reconstruction and Development and the European Investment Bank and the Russian and European business sectors. They constitute currently the most visible and operational component of our relations with the Russian federation in the energy field. They enjoy, moreover, the unanimous support of our 25 Member States and of the

¹⁰ The "Union for the Coordination of Transmission of Electricity" (UCTE) is the association of transmission system operators (TSO) on the European mainland. IPS/UPS: comprises the power systems of the Baltic States (Latvia, Lithuania, and Estonia), Russia, Belarus, Ukraine, Moldova, Georgia, Azerbaijan, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Mongolia.

European and Russian industrial sectors.

The four groups will meet three or four times, from July 2005 to April 2006. After agreement by the parties, the final reports with the findings of the Thematic Groups will be endorsed at the appropriate political level. They will outline possible areas of cooperation and will identify some concrete priority projects to be targeted.

- Permanent Partnership Council (PPC) on energy: The first Permanent Partnership Council dedicated to energy issues, which took place in London on 3rd October 2005 (on the eve of the last Summit), is a highly visible sign of the increasing political importance of EU-Russia energy relations. The Russian Minister Khristenko and the Commissioner for Energy, Mr Piebalgs attended.
- The Technology Centre in Moscow, established in November 2002, has organised a number of workshops and round tables addressing the production and utilisation of different energy sources, including fossil fuels and electricity, as well as promoting the use of renewable energy and energy efficiency.

3.2.2.2. Baltic Sea Region Energy Co-operation (BASREC)

The Baltic Sea Region Energy Co-operation (BASREC) was established in October 1999 when the Energy Ministers of the Baltic Sea Region countries and the European Commission met in Helsinki. Participating in BASREC are Denmark, Poland, Germany, Estonia, Latvia, Lithuania, Russia, Finland, Sweden, Norway and Iceland. The European Commission is represented by the Directorate-General for Energy and Transport. A group of Senior Energy Officials (GSEO) was established to steer BASREC's activities. The Commission participates in this group, which has continued to meet regularly.

At the BASREC ministerial conference held in Reykjavik, Iceland on 28 October 2005, at which Commissioner Piebalgs participated, it was decided to continue BASREC for the period 2006-2008. The BASREC members on that occasion recognised that the regional co-operation should play a role in the implementation of the Northern Dimension policies of the EU in the field of energy. It was also recognised that there is a need to modify BASREC working structures in order to effectively address the challenges in the region. In this context, the conference took note of the creation of a temporary taskforce to review the structure of BASREC.

The so-called Testing Ground Agreement for Flexible Mechanisms of the Kyoto Protocol, which was signed on 29 September 2003, aims to stimulate energy-sector climate investment projects in the Baltic Sea Region. The BASREC working group on Climate Change concluded its 2003-2005 working programme and in June 2005 decided to continue its work through the BASREC Testing Ground Committee. The "BASREC JI Handbook" was reviewed and presented at training seminars notably in North-Western Russia (and at a side-event at COP 11 in Montreal).

3.2.2.3. Infrastructure

As a region with vast energy resources, the Northern Dimension Area is very important for the supply and the transit of oil and gas to the EU. In order to ensure the security of energy supplies in the coming years, a considerable level of investment will be required, both for the

development of energy transport infrastructures and the exploitation of the area's vast gas resources. The Northern Dimension is an important component in the balanced development of Europe's energy infrastructure.

A further important aspect of the area's energy sector relates to the integration of the new Member States of the region into the single European energy market. The region is facing important structural reforms due to the enlargement of the European Union, and the integration of Poland and the Baltic States into the internal EU Energy Market, in particular the internal energy market for electricity and gas, and their integration into the Trans-European Energy Network. The package of Commission documents on Energy Infrastructure adopted on 10 December 2003 include a proposal for amendment of decision N° 1229/2003/EC on Guidelines for trans-European Energy Networks (COM(2003)742), which takes into account the enlargement of the Union on 1 May 2004 and the new Neighbourhood Policy. The TEN-E proposal highlights the objectives of reinforcing the security of energy supplies, in particular by strengthening relations with third countries in the energy sector in the interest of all parties concerned. Two gas projects are of particular interest, namely the North Transgas pipeline and Yamal-Europe pipeline, which have both been identified as projects of European interest. Moreover, the TEN-E guidelines aim at developing electricity connections with Russia, thus contributing towards the interoperability, the operational reliability and dependability of the electricity grids or the supply of electricity within the European Community. The Council adopted a Common Position on this proposal at the end of 2005. Final adoption is expected in the first half of 2006.

3.2.2.4. Oil production in the Barents Sea

The topic of oil exploration and production in the Barents Sea remained on the agenda of the EU-Norway energy dialogue as both parties are interested in ensuring sustainable development of energy resources to the benefit of both. During the meeting between the Minister of Petroleum and Energy of Norway and Commissioner Piebalgs in June 2005, Norway confirmed its commitment to ensure that petroleum activities in the area contribute to creation of wealth while allowing acceptable coexistence with other users of the sea and with full account of environmental concerns.

3.2.2.5. Energy new technologies

A significant technological challenge will not only be involved in the exploitation of oil reserves in the extreme North. Another important technology issue relates to carbon dioxide capture and storage, including the use of CO₂ for enhanced oil recovery. The European Commission agreed in July 2005 to join the informal forum established by Norway, the UK and Denmark to exchange information and discuss issues in this field. A European research project on the subject led by Norway was, in 2005, at an advanced stage of preparation. It is expected that the project could lead to improvements of recovery ratios by 3-8%.

3.2.3. *Transport*

The overall objective is to develop a multi-modal transport system improving connections within the region and with neighbouring countries.

3.2.3.1. Trans-European network and Pan-European Transport Corridors and Areas

In the framework of priority projects identified by the European Parliament and the Council on 29th of April 2004¹¹ for the development of the Trans-European Transport Networks (TEN-T), the priority project Nr 27, the so-called Rail Baltica aims at strengthening the land links of the Northern Dimension region with Central and Eastern Europe in a sustainable way. In order to promote the development of this project the Commission has nominated a European Coordinator who acts as communicator and promoter between the different stakeholders.

Among these priority projects the concept of the “Motorways of the Sea” should contribute to ease bottlenecks on land transport infrastructure in shifting transport mode to sea by concentrating freight flow on sea-based logistical routes, and also improve access to peripheral regions, which also promotes the Northern Dimension region.

The Second Northern Dimension Action Plan aims at strengthened implementation of *Pan-European Corridors and Areas*, notably Pan-European Corridors I and IA (Helsinki to Warsaw and to Gdansk, via Tallinn, Riga and Kaunas), and Corridor IX (Helsinki to St Petersburg, Moscow and Pskov, Kiev, and on to Chisinau and to Alexandroupolis), as well as the links from Kaliningrad and Klaipeda via Vilnius to Minsk, and also the Motorways of the Baltic Sea corridor

GALILEO

The signal from the GALILEO navigation system network of satellites will be received perfectly all over the world, and notably in the regions located at high latitudes. The Nordic region will thus benefit particularly from the full implementation of the GALILEO system since the US GPS system does not have such capabilities above the 60th latitude. During the reporting period, on 28 December 2005, the first Galileo satellite was successfully launched from the Baikonur cosmodrome in co-operation with the Russian Federation.

High Level Group

Good transport connections between the European Union (EU) and its neighbours are essential for trade and economic development. Effective, safe and secure transport systems reinforce sustainable economic growth and competitiveness and ensure the efficient movement of passengers, goods and services.

The Commission Decision¹² of 29th September 2004 established the High Level Group on the “*extension of the major trans-European transport axes to the neighbouring countries and regions*”.

The Group was chaired by Ms Loyola de Palacio, former Vice-President and Commissioner for Energy and Transport of the European Commission. The members of the Group included Russia, Norway and Switzerland and all other countries participating in the European

¹¹ DECISION No 884 /2004/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 29 April 2004, amending Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport network – OS L201 – 07/06/2004

¹² C (2004) 3618

Neighbourhood policy. The Member States were represented in the Group as well as Bulgaria and Romania. The European Investment Bank, the European Bank for Reconstruction and Development and the World Bank also participated as observers in the work of the Group.

The Group identified **five major transnational axes**: Motorways of the Seas, Northern axis, Central axis, South Eastern axis and South Western axis. For the Northern Dimension region most relevant axes are the following ones:

- Motorways of the Seas: linking the Baltic, Barents, Atlantic, Mediterranean, Black and Caspian Sea areas as well as the littoral countries within the sea areas and with an extension through the Suez Canal towards the Red Sea.
- Northern axis: to connect the northern EU with Norway to the North and with Belarus and Russia and beyond to the East. A connection to the Barents region linking Norway through Sweden and Finland with Russia is also foreseen.

The Group put a considerable emphasis on the so-called horizontal measures that aim at making transport along the axes more rapid and effective. These measures concern all transport modes with a particular focus on the five axes proposed. The measures include, among others: technical and administrative interoperability, border crossing procedures etc.

To ensure effective and timely implementation of the proposed measures along the axes, the Group highlighted the need for strong and effective coordination frameworks.

3.2.3.2. Maritime Safety and Security:

Maritime Safety

Shipping safety in the Baltic Sea area in 2005 took a step backwards in terms of the number of accidents, which already doubled during the period 2001-2004. The increasing trend of the number of casualties results from steadily growing maritime traffic, especially oil transportation. According to the data monitored by HELCOM Maritime, during a three month period in July-September 2005 around 13,500 ships passed the Skaw at the northernmost tip of Denmark on their way into or out of the Baltic. Approximately 60-70% of these ships were cargo vessels and 17-25% were tankers. About 14,000 vessels passed the Swedish island of Gotland and around 10,000 entered or left the Gulf of Finland. Although growing traffic is a sign of intensified co-operation in the Baltic Sea region and a prospering economy, it also means that ship accidents causing marine pollution have become more probable.

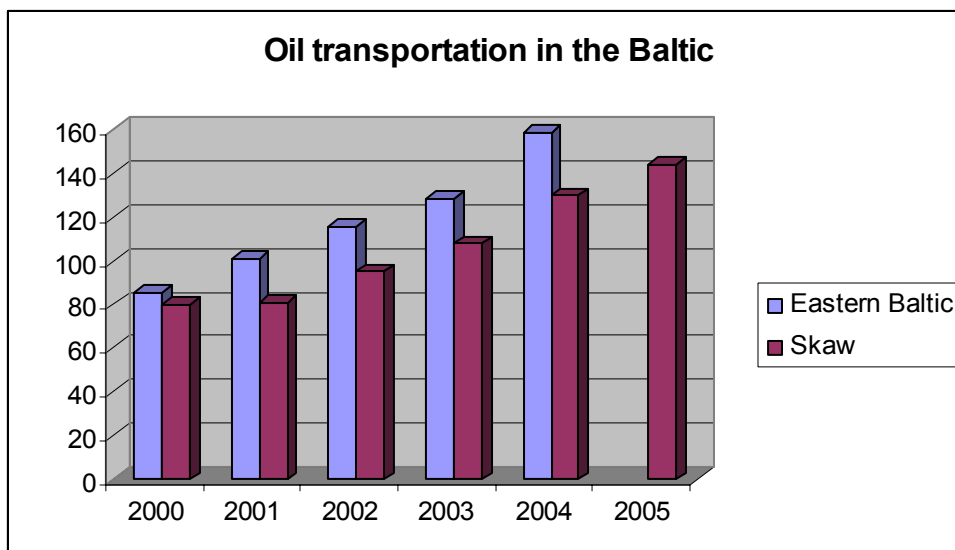


Figure 1 Amount of oil transported via 11 largest oil terminals in the East Baltic (Gdansk, Klaipeda, Ventspils, Muuga, Primorsk, Porvoo, Naantali, Riga, Butinge, St Petersburg and Kaliningrad) and via the Skaw (in millions of tons)

In the light of the increasing number of accidents, it is of crucial importance that all the bordering States of the Baltic Sea adopt without delay the measures adopted by the International Maritime Organisation in 2003, preventing the carriage of heavy oils in single hull tankers. Those measures are already legally binding for all the EU Member States.

It is to be expected that the new HELCOM ship traffic monitoring system (AIS), which was launched in July 2005 to improve safety of navigation in the Baltic Sea helps to change the situation. The full effectiveness of the system requires the full cooperation of all the bordering States of the Baltic Sea.

During 2005, the maritime administrations of the bordering States of the Baltic Sea reinforced their response capacity to limit the environmental effect of pollution accidents. There are currently around 40 seagoing response vessels in the Baltic and some new response/multipurpose vessels are being built. Additional response capacity has also been recently introduced in the Baltic by the European Maritime Safety Agency (EMSA).

Moreover, to prevent the increasing risks of accidents, in 2005 a wide range of international shipping associations urged their members to take a pilot when they enter or leave the Baltic Sea, as recommended by IMO resolution MSC.138 (76).

Maritime Security

The entry into force of the new Chapter XI/2 (security) of the Convention on Safety Of Life At Sea (SOLAS Convention) and of the International Ship and Port facility Security Code (ISPS Code) of the International Maritime Organisation as from 1st July 2004 contributed to enhance security of maritime transport in the region, since all the States in the area are contracting parties to those IMO instruments.

In December 2005, a structured dialogue on Transport Security issues has been started between the EC and Russia. This cooperation group will develop and exchange information

on experiences and best practices in the field of maritime, aviation, urban transport and logistical chain security issues.

3.2.4. *Telecommunications and Information Society*

Information and communications technologies (ICT) play an obvious and important role in the development of the Northern Dimension (ND) area. The Northern eDimension Action Plan (NeDAP) has offered a platform and a tool to accelerate the development of the Information Society in the Northern Dimension region, as well as to establish closer co-operation, Russia.

Cross-border cooperation is at the heart of NeDAP, and NeDAP has played an important role in the context of EU enlargement and the Council of Baltic Sea States (CBSS) and Nordic Council of Ministers (NCM) cross-border co-operation in the region.

Background 2002-2004: The first Northern eDimension Action Plan (NeDAP) 2002-2004 was adopted by the Information Society Ministers from the Council of Baltic Sea States in September 2001 with the aim to strengthen the Baltic Sea region's position in the information society in line with the eEurope initiative. The European Commission was a partner and the Nordic Council of Ministers (NCM) had observer status in this first NeDAP.

Given the positive results achieved and the useful network that has been established, the Senior Officials for the Information Society (SOIS) agreed that NeDAP should be followed up in 2005 and 2006, synchronised with the ND Action Plan.

A key activity in 2004 was therefore the contribution to a Ministerial Conference of the Council of Baltic Sea States' IT Ministers, whose conclusions on a Northern e-Dimension Action Plan 2005-2006 were then presented to the Prime Ministers of the Baltic States at their 5th Baltic Sea Summit in Laulasmaa, Estonia, on 21 June 2004. The conclusions of the Summit read:

“The Heads of Government underline the important role played by the Northern eDimension Action Plan in strengthening information society and fulfilling the objectives of the CBSS. They welcome the progress achieved by NeDAP to date, note the necessity to further intensify efforts and agree on its prolongation for the next period of 2005-2006”

2005-2006: From 2005, the Nordic Council of Ministers (NCM) entered the Northern e-Dimension as a full partner, thus sharing responsibility for the overall running of the NeDAP with the Council of Baltic Sea States (CBSS). The Action Plan for 2005-2006 was put forward also to the Nordic Council of Ministers for their endorsement. NeDAP was therefore expected to remain a framework for continuous dialogue on priorities for cooperation in the Information Society field. The approach was to be horizontal, aiming to add value by facilitating cross-border cooperation on concrete activities. The main objectives of NeDAP 2005-2006 were as follows:

- To accelerate the Northern Dimension region's development of the Information Society.
- To ensure closer cooperation between the countries involved, taking into account the need for improved co-operation between the EU and Russia.
- To improve the environment for ICT initiatives and investments.

- NeDAP envisaged cross-border co-operation on different levels:
- Cross-border collaboration that could be exchange of good-practices between the Baltic Sea states, or exchange of knowledge and relevant information within the NeDAP-framework.
- Cross-border projects that involved at least two countries, which have a common issue to resolve. One country could have the responsibility for the project and the other country could take part in it. As an example, the goal of such a project may be to develop a service/function within a country.
- Cross-border service, that could be a project established between two or more countries with a mission to build a cross-border service, i.e. a service that will have transactions across borders. For example, such a service could facilitate movement of goods, services, capital and people.

Procedures: NeDAP 2005-2006 is governed by the SOIS group. The SOIS is expected to invite observers from the research and business side, as well as from relevant international institutions like the OECD, World Bank, Baltic Challenge, the Baltic Development Forum, the CBSS Business Advisory Council (BAC), the Baltic Chambers of Commerce Association (BCCA), the Nordic Investment Bank (NIB), the European Investment Bank (EIB), the Union of the Baltic Cities (UBC), the Baltic Sea States Sub-Regional Cooperation (BSSSC), and others.

The SOIS selects Action Lines (AL) and nominate AL lead countries. The working groups (WG) attached to each Action Line implement the plan. The AL lead countries nominate participants in WGs. Lead countries and WG decide the content, precise title, and priorities within the AL. Action Lines and their focus areas may vary during the implementation period to make implementation of main objectives and key priorities effective.

At the SOIS meeting in Riga on April 23, 2004, the following action lines were proposed (the lead countries are given in parentheses).

- Action Line 1: Internet and Internet Applications in Research and Development (Norway)
- Action Line 2: A Secure Information Infrastructure (Estonia)
- Action Line 3: eSkills; eLearning (Finland, Germany)
- Action Line 4: eHealth (Latvia, Sweden)
- Action Line 5: eGovernment (Sweden)
- Action Line 6: eIndicators (Denmark)
- Action Line 7: eEnvironment (GRID Arendal)
- Action Line 8: eInclusion (Lithuania)

A NeDAP work programme is developed each year, based on input from all Working Groups as well as other relevant actors. The work programme is then adopted by the SOIS group at least two months before it enters into force. The Working groups are expected to cooperate closely with relevant actors in the region.

3.2.4.1. Participation in NeDAP activities

It had been recommended by the SOIS that the DG INFSO allocates a permanent official in the Commission to be responsible for NeDAP in 2005 and 2006. It was felt necessary to have the active support and engagement of the Commission to keep the momentum of the NeD initiative. The Commission had however attended earlier NeDAP meetings at all levels, including the meetings of SOIS, in Riga on April 23 and in Tallin on October 1, 2004. The Commission participated in the SOIS meeting in Riga in April 2005.

However the EU enlargement has considerably changed preconditions for increased involvement of the Commission in the initiative. Despite the ongoing EU-Russia enhanced bilateral dialogue, the NeDAP could potentially bring added value as regards IT cooperation, but at the same time it is doubtful that a deeper involvement of Commission is needed regarding other activities within the NeD. In any case, according to existing regulations for the EU countries it is obvious that the NeDAP activities should fully comply with the EU *acquis*. Indeed in the Commission there is no single service/unit to fully cover all the NeDAP aspects. There were no valid reasons for Commission to be involved on the full-time basis. Instead Commission could be called upon on a “case-by-case” basis when it is needed.

3.2.4.2. Financial aspects

The participating countries are expected to actively pursue external financing for their activities. Travel expenses for the Working Groups are expected to be covered by the participants. Though the EU is not in a position to allocate specific funds for NeDAP activities, the Commission has in the past attempted to facilitate funding projects under the various action lines by referring to available EU cross-border cooperation programmes under TACIS and INTERREG.

NeDAP activities could be implemented via projects under FP6, IDA, eTEN, eContent, eLearning, MODINIS, and others. Russian participants in IST projects may receive funding from the IST budget for International Cooperation. Furthermore, since May 2004, EU Structural Funds are available for new member states. The information society is an integral part of the development programmes being implemented under the Structural Funds, given the prospects for economic and regional development provided by use of new technologies among businesses, citizens and public administrations. Other funding possibilities include programmes under NCM and project participants.

3.2.4.3. Perspectives

Following the last enlargement in which Poland and the three Baltic States have joined the EU, the balance between the regional/international dimensions has been substantially altered in NeDAP. Nevertheless, Russia remains a very important partner in the initiative. The Commission still therefore attaches importance to NeDAP, as a coordinated activity to facilitate the promotion of information society strategies in a harmonised way, in particular with the non-EU partners. The new Information Society Dialogue established with Russia will also be useful in this regard. The Commission (DG INFSO) will engage as appropriate in a constructive fashion with SOIS in setting up any future NeDAP strategy.

3.2.5. *European Investment Bank (EIB) lending in the Northern Dimension region*

EIB's first Mandate for lending to Russia - €100m for projects in “the Baltic Sea Basin of Russia”, notably St Petersburg and Kaliningrad, under the “Northern Dimension Lending

Mandate” - expired on 6 May 2005. Under that Mandate, four projects totalling the full amount of € 100m had been approved by EIB’s Board of Governors, of which three projects in St Petersburg and one in Kaliningrad.

Of that amount, finance contracts for € 85m had been signed for the three St Petersburg projects, namely: (i) the St Petersburg (South West) Wastewater project (€ 25m, signed in December 2003; official opening of the Wastewater Treatment Plant in September 2005; EIB has disbursed the full amount earmarked for the Plant; disbursements on related components expected to commence in 2006); (ii) the St Petersburg Vodokanal II project concerning the Northern Wastewater Treatment Plant (€ 20m, signed in April 2005; so far no disbursements by EIB as conditions are not yet fulfilled; EBRD is providing a bridge loan); and (iii) the St Petersburg Flood Barrier project (€ 40m, signed on 3 May 2005, first disbursement made in December 2005). All three projects are NDEP projects.

The Kaliningrad Water & Environment project (€ 15m approved) could not be signed under the first Mandate as the Russian Federation was still awaiting a detailed cost update and therefore did not include the amount in the relevant Budget of the Federation. This amount was therefore lost under the first Mandate.

On 22 December 2004, the Council adopted the Decision 2005/48/EC granting a Community guarantee to the EIB against losses under loans for certain types of projects in Russia, Ukraine, Moldova and Belarus. Under this € 500m Mandate, eligible projects for EIB lending shall be in the sectors of environment as well as transport, telecommunications and energy infrastructure on priority Trans-European Network (TEN) axes having cross-border implications for a Member State. As has been the case for the first Mandate, the Council decision for this second Mandate, which is now fully operational, requires cooperation with other IFIs, and EIB cooperates very closely notably with EBRD.

According to the Council decision for the second Mandate, individual countries become eligible under the ceiling as and when they fulfil specific conditionality consistent with European Union high level agreements with the country in question on political and macro-economic aspects. This is already the case for Russia and Ukraine.

This second Mandate, while going well beyond the geographic scope of the Northern Dimension, nevertheless permits the continuation of EIB participation in activities relevant to the Northern Dimension.

3.3. Scientific Research, Higher education and Public Health

3.3.1. Scientific Research

The S&T dialogue between the European Commission and Russia regarding the creation of a common space in research is well on track. Regular meetings between the European Commission and the Russian Ministry for Education & Science take place on all levels. In particular, European Commissioner for Research Janez Potocnik and Russian Minister for Education & Science Andrey Fursenko met during the visit of the Russian Government to Brussels on 7 December 2005. During that meeting, a road-map for the implementation of the research part of the fourth common space was discussed and is now being implemented.

The relationship between the EU and Russia in the area of scientific research is very close and successful (Member States’ bilateral S&T cooperation programmes with Russia, EC

Framework Programmes for Research & Technological Development (FP), INTAS, the International Science & Technology Centre (ISTC), and Eureka.

As far as the EU's Sixth Framework Programme for Research & Technological Development (FP6) is concerned (2003-2006), Russia has to date been the most successful "third country" participant in terms of funding support from the European Commission and one of the most active third-country participants overall.

One thematic Priority of particular importance for the northern dimension proper is Climate change and Ecosystems in which cooperation with Russia has been thriving.

In 2005 one important contribution is the Commission's research project DAMOCLES: Developing Arctic Modelling and Observing Capabilities for Long-term Environmental Studies (16,1 M€ Commission contribution). DAMOCLES started officially on 1st December 2005. Towards the IPY (International Polar Year 2007-2008), DAMOCLES is the first large international project linking together 45 different institutions from 11 EU countries plus the participation of the Russian Federation and cooperation agreements already established with USA and Canada. During its four years DAMOCLES will investigate ice-atmosphere-ocean interactions with the final goal to quantify climate changes in the Arctic. In addition to this project, the Commission decided to finance another action (IPY-CARE) aimed at bringing more coherence to the hitherto scattered co-operation in polar research .

In addition to FP6 activities two complementary FP5 projects TCOS-Siberia and SIBERIA II are still moving towards conclusion. Both deal with the quantification of the Greenhouse Gas (GHG) budget of a 2 million square kilometre area in central Siberia, a large forested region, important for its potential impact on policies related to GHG emission reduction and consequently to the global climate. The subject is quite important also in view of the ratification by Russia of the Kyoto Protocol.

The remote sensing techniques used in SIBERIA II from space to measure vegetation parameters are complemented by real-time measurements of carbon fluxes between Siberian forests and the lower levels of the atmosphere.

Moreover, in the FP7 context the EUROPOLAR ERA-NET initiative has been established. EUROPOLAR is a consortium of 25 Ministries, Funding Agencies and National Polar RTD Authorities from 19 European countries and of the ESF/European Polar Board. EUROPOLAR exert a positive impact in this domain and lead to long-term durable partnerships within Europe and internationally and encourage and support the closer relationship of National Polar RTD Programme managers in Europe fostering cooperation and leading to joint Programme activities.

In addition, the EU science and technology cooperation activities are being pursued with Russian former weapons of mass destruction scientists through the ISTC in Moscow.

A research project on world climate was initiated in 2005 on the monitoring (and measurement) of the stratosphere-troposphere with the MIFI in Moscow and the Alfred Wegener Institute for Polar and Marine Research.

3.3.2. *The European Commission Joint Research Centre (JRC)*

Energy Security issues in the Baltic Region are being studied. An EU enlargement and Integration Workshop¹³ in late 2005 highlighted Latvia's potential for mass gas storage that could enhance regional security of supply. As a result, Latvian authorities are currently involved in the preparation of a proposal for a feasibility study to be submitted to the TEN-E Programme. Among the main issues to be addressed would be the options for connecting the natural geographical structures to a gas transmission pipeline (Northern European Gas Pipeline or Yamal-Europe) and an assessment of the overall enhancement to regional security of supply, to which the JRC would contribute.

A Russian-EU proposal for a Specific Support Action, entitled Environmental Network for the European and Russian Arctic Regions (ENERAR), was selected for funding under the INCO programme (DG RTD) in 2005. The contract negotiation procedures were still ongoing when this text was written. Co-ordinated by a Russian partner and with the participation of 11 scientific organizations (6 Russians; 5 EU including the JRC), the proposal focuses on major issues of environmental protection and has a geographical reach from Northern Europe to Eastern Siberia.

The International Polar Year (2007/2008), with Climate Change as the general theme, may offer opportunities to exploit synergies between EU programmes. For example, warming of the Arctic might have negative effects on the socio-economic complex of the northern regions: melting of permafrost and sea-ice, release of methane (a greenhouse gas) from wetlands, erosion of river banks and coastlines and changes to ecosystems and the traditional livelihoods of the Indigenous Peoples. The JRC is currently discussing with research institutes in Russia and the EU how to improve co-operation in order to address these issues which cut across the energy, environment, social and economic sectors. Furthermore, initial discussions have started with the Institute of Global Climate and Ecology, to collaborate on the Russian greenhouse gas emission inventory required under the Kyoto Protocol, as far as concerns the Land Use Change and Forestry Sector.

Major efforts have been devoted in 2005 to the revision and optimization of the radar mosaic radiometry, which is a prerequisite for any thematic mapping activity (e.g. for the delineation of vegetation transition zones and of some specific vegetation types, such as peat lands). The Global Boreal Forest Mapping (GBFM) radar mosaic of Siberia has been completed, and the data set delivered to the Japan Agency for Space Exploration (JAXA) for world-wide distribution.

An EUR report on hot spot areas of recent forest cover changes, delineated during a workshop organized by the JRC in 2004 in Moscow with the World Resources Institute and Russian NGOs, was updated through a larger consultation with international experts and published in 2005. This information will serve as basis for assessing forest cover change dynamics in the boreal regions of Russia. Moreover, a feasibility study on mapping forest clear cuts from medium resolution (250m) satellite data has been completed for two regions in the Northwest of Russia (Karelia and Komi Republic). Russia is considered a key region in the scope of the EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT) (COM/2003/251).

¹³ Security and Reliability of Gas and Electricity Supplies 20-21 October 2005, Arona, Italy (organized by JRC)

Co-operation has been initiated with Yekaterinburg Forest university for the development of a geo-referenced database on forest bio-mass for the Russian Federation. JRC received a copy of the data and imported them in a digital database which will be used to investigate carbon stock changes.

Furthermore, the JRC has been involved with ICES on the identification of marine regions for the implementation of an ecosystem-based approach in European marine waters as part of the European Marine Strategy development. In the northern context eleven eco-regions were originally proposed and still discussed, including Greenland and Iceland Seas, Barents Sea, Faroe, Norwegian Sea, Celtic Seas, North Sea. The Baltic Sea is a single eco-region that is under discussion with HELCOM representatives. In the context of collaboration with the regional seas Conventions the JRC has organised a scientific forum for the HELCOM and the Bucharest Commission on the Black Sea to exchange experience and focus on monitoring and assessment for the implementation of the upcoming Marine Strategy. In addition, the JRC, in the context of its support for HELCOM, provides HELCOM with Baltic Sea special maps with details on chlorophyll concentration and primary production.

3.3.3. Higher education

In March 2005 in meetings at operational level with the Ministry of Education and the Ministerial Coordination Group for the Bologna process, the Commission continued reinforcing the dialogue with Russia regarding the implementation and visibility of the cooperation programmes in the Russian higher education sector, Tempus, Erasmus Mundus and Jean Monnet.

In May 2005 the European Union and Russia adopted a single package of Road Maps for the creation of the four Common Spaces, including the Common Space of Research and Education and Culture. Regarding education its main objectives are mainly taking up the goals of the Bologna declaration but also include the adaptation of curricula to the requirements of the labour market. Another particular objective is to establish a European Studies Institute (ESI) in Moscow. The achievement of those objectives is being supported by the EU cooperation programmes for higher education.

3.3.4. Public Health and the Northern Dimension Partnership in Health and Social Well-Being

The year 2005 could be characterised as a year for building up the operational basis for the Northern Dimension Partnership in Public Health and Social Well-being as well as pursuing more concrete actions already well established areas, such as combating HIV/AIDS but also initiating the work in the non-communicable diseases area as agreed in the ministerial meeting in Tallinn in December 2004. However, the year was not without drawbacks as the development of the foreseen coordination instrument, an advanced meta-database was halted due to unsuccessful application for funding from the EU Public Health Action Programme.

The European Commission, Health and Consumer Protection Directorate-General, has been following the further development of the ND Partnership through the Committee of Senior Representatives (CSR) and by attending the Ministerial Partnership Annual Conference (PAC) in Stockholm in November 2005.

The CSR met three times during the period under review (Vilnius, Helsinki, and Stockholm). During the past year Germany due to legal problems in connection with the initiative of the

Chair (Sweden) to authorise legal capacity to the Secretariat of the Partnership, has assumed the status of Associated Partner. The main issues taken forward have been to facilitate the implementation of the Barents HIV/AIDS programme with financial support from Finland, Norway, and the Russian Barents Region. The new Expert Group on Non-Communicable diseases and promotion of healthy and socially rewarding lifestyles was established and will assist in co-ordinating and further developing the Partnership co-operation focusing on alcohol and binge drinking, young people's lifestyles and occupational health. The expert groups on Prison Health and Primary Health Care have not been proceeding due to lack of resources. The network on training (Baltic Health TraiN) is co-financed through the EU Public Health Programme with a focus to develop training modules for HIV/AIDS.

The agreement was reached on a Partnership Co-ordinating and Financing Mechanism/Voluntary Fund, and to facilitate moving to the implementation of projects the guidelines for the use of appropriations account were agreed on. The Commission has stressed the importance of developing and implementing a proper coordinating mechanism before decisions on financing are made. The application to the EU Public Health Programme for the development of advanced meta-database was placed in the reserve list, and thus not funded. Therefore the CSR decided to use existing databases until funding would be found.

The Commission participated in the PAC at the service level. The main outcomes of the meeting were the offer of co-operation and sharing of experiences and best practice between the North and the South, expressed by Italy and Portugal; and the considerable financial support which will enable progress and new prospects for the Partnership to reach its goals. Lithuania was selected as a chair and Norway as a co-chair for the period 2006-2007.

3.4. Environment and Nuclear Safety

3.4.1. Environment

The Commission has continued to take an active part in the environmental component of the Northern Dimension during the reporting period. In particular it has made progress with its efforts to strengthen the overall dialogue between the EU and the Russian Federation on the environmental priorities of the Common Economic Space road-map. The road-map stresses that activities should build on existing initiatives such as the Northern Dimension Environmental Partnership.

Following agreement with the Russian Ministry of Natural Resources at the end of 2005, it is planned to hold an EU-Russia Permanent Partnership Council on Environment in the second half of 2006 to identify specific areas for future co-operation and joint activities to implement the road-map priorities. This will include action on several areas of importance to the Northern Dimension including water and the marine environment, climate change, environmental impact assessment, biodiversity and nature protection, and cleaner production.

The EU is supporting environmental projects of relevance to the Northern Dimension context through TACIS on convergence of legislation, climate change, waste water treatment, fresh water quality, waste management, and capacity building.

3.4.1.1. Climate Change

The Russian ratification of the Kyoto Protocol in November 2004 is expected to open up possibilities for a broadened agenda on environmental and climate cooperation with Russia.

The main topic of the Arctic Council Ministerial meeting in November 2004 was climate change in the Arctic, which also is of clear interest to Russia. The Arctic Climate Impact Assessment (ACIA) project report provides worrying trends which need to be followed-up during the Russian Chairmanship of the Arctic Council 2004-6 and for its preparations for the International Polar Year (IPY) 2007- Roshydromet, the Russian federal agency responsible for monitoring of air and water pollution, has a leading role in preparing for the International Polar Year. It is also Russia's focal point for the UN Framework Convention on Climate Change and has a strong interest in developing international cooperation on adaptation to climate change, including in the Arctic region. The Russian interest in adaptation is something that the EU could explore further in 2006.

3.4.1.2. Marine environment

The European Commission proposed an ambitious strategy to protect Europe's marine environment on 24 October 2005. This strategy draws from intensive cooperation with stakeholders across the EU during the preparation process from 2002 to 2005. Baltic partners played a particularly active role in this process.

The Thematic Strategy on the Protection and Conservation of the Marine Environment aims to ensure that all EU marine waters are environmentally healthy by 2021 - thereby protecting this precious asset which is the resource base upon which marine-related economic and social activities depend. The Strategy will constitute the environmental pillar of the future EU Maritime Policy which the Commission is in the process of finalising (see point 3.2.1.6). The Strategy promotes an integrated policy framework to help deal with the pressures and negative impacts on the marine environment. It lays down clear and operational guidelines on how to achieve good environmental status for all of the EU's marine areas by 2021. EU Member States share responsibility for a number of different marine areas, each of which has its own distinctive environmental characteristics. The Baltic Sea is one such marine area.

To take account of regional differences the Commission proposal sets out common objectives and methods - but these are to be implemented at the level of marine regions. This means that the Member States sharing the Baltic Sea will be responsible for working in close cooperation to develop plans designed to ensure good environmental status in the region. Cooperation with Russia will also be important to achieve good environmental status.

Member States will be encouraged to work within the framework of HELCOM, which has extensive expertise in protecting the marine environment in the Baltic Region. The Commission is actively involved in the preparation of the Baltic Sea Action Plan (BSAP) prepared under the aegis of HELCOM. The BSAP will be highly synergetic with the EU Marine Strategy.

The Arctic Ocean is not directly covered by the proposed EU Marine Strategy as the EU does not border its waters. However, close cooperation was established between the EU and the Arctic Council as part of the preparatory process with the help of which the Marine Strategy was developed from 2002 to 2005. There are strong synergies between the EU Marine Strategy and the Arctic Marine Strategy Plan and the Commission is therefore strongly committed to continued cooperation with the Arctic Council.

At an Arctic seminar in Brussels in July 2004 the Commission recalled that close co-operation already had been established between the EU and the Arctic Council concerning the European

Marine Strategy and the Arctic Marine Strategy plan. There are clear synergies between the two strategies. The European Commission also expressed support for Environmental Monitoring and Research (e.g. the Arctic Operational Platform ARCOP project co-financed under the "Competitive and Sustainable Development" programme) as the basis for environmental co-operation in the Arctic.

3.4.2. *The Northern Dimension Environmental Partnership (NDEP)*

The NDEP Fund is progressing well and remains a reference for cooperation between donors and IFIs. The nuclear envelope is now at the level of implementation after several years of preparatory phase. On the environmental envelope around 90 % of contributions to the Fund are committed to projects that are or soon will be under implementation. The Commission held the chair of the Assembly of contributors as main donor, and has participated in the Steering Committees along with Russia and the International Financial Institutions.

At the November 2005 NDEP Assembly of Contributors, held at the EBRD headquarters in London, the EBRD President, Jean Lemierre, stressed the importance of the NDEP for all donors and noted that Russia will chair the G8 meeting in 2006 where nuclear safety is a very important item on the agenda.

Concerning the nuclear envelope, all members concurred that the progress has been remarkable, partly because of the signature of the Agreement on provision of technical assistance under the umbrella of the MNEPR in July and mainly because the establishment of the necessary implementation mechanisms allowed the launch of the first set of five urgent projects. Russia highlighted that these first projects are probably the most difficult ones, as they address the more critical improvements of safety and security related to spent nuclear fuel and radioactive waste, in both sites of Andreeva Bay and Gremikha Bay. However some remaining obstacles have caused additional delays in the course of project preparation, for example tax exemption of second tier contractors. Furthermore, the launching in 2005 of Phase II of the Strategic Master Plan represents another important achievement, providing the necessary framework for all other activities of the nuclear window and beyond. Finally, the conclusions of the Strategic Environmental Assessment (SEA) were completed in October and presented to the Assembly: they confirm the validity of the strategies envisaged in the Strategic Master Plan.

The NDEP environmental or non-earmarked envelope refers to both the fragile Arctic ecosystem and the specific pollution problems at the Baltic Sea. As its funding was about to be fully used, a replenishment process was launched at the end of 2004 which gave the following positive results in 2005: the European Commission and the Russian Federation agreed to contribute with additional € 10 million each, Sweden with € 6 million and Finland with € 2 million (Denmark also provided € 1 million to the nuclear envelope). These amounts are important and provide the basis for a continuation of the NDEP funds beyond its expected life-span; therefore the Fund life was extended until the year 2012 at the 2005 Assembly of contributors. Nevertheless, the replenishment process is not been closed as the number of identified projects of this nature in North West Russia exceeds the funds available. The most important NDEP project so far, the St. Petersburg South-West wastewater treatment plant was completed in 2005 and officially opened in September by the Presidents of Russia and Finland and the Prime Minister of Sweden. This project, along with other NDEP projects in St. Petersburg and in the Leningrad oblast at large, will improve significantly the water quality in the Gulf of Finland and across the Baltic Sea. Further projects were approved in

2005 for the benefit of the Kaliningrad Oblast, notably the Kaliningrad Water and Environment Services with the condition that a report will be supplied on how the financial gap will be dealt with. In order to improve the capacity of the Kaliningrad authorities to deal with several NDEP projects at the same time, a Project Implementation Unit to be financed from the NDEP Fund was approved by all contributors and will be operational late in 2006.

3.4.3. *Nuclear Safety*

Outside the contribution to NDEP, the Commission continued its support through the TACIS programme aiming at the improvement of nuclear safety in North West Russia. In the annual programmes 2003 and 2004, the total amount is € 4.2 million and concerns specific waste projects in the region of Murmansk and Leningrad. These studies, to be contracted in 2005 and 2006, will aim at the preparation of further remediation projects. In addition the annual programme 2005 foresees a specific project for the remediation of Murmansk Radon for an amount of € 3.1 million.

Besides the military vessels, a further issue is the situation of the spent fuel coming from nuclear icebreakers: the “Lepse” ship, for instance, has been docked in Murmansk harbour for over 15 years and is threatening to sink. On board Lepse there are about 500 Kg of severely damaged spent nuclear fuel from the old icebreaker Lenin. The Tacis Programme is taking part in a multilateral initiative to unload and secure these spent fuel elements.

As the NDEP is concentrating mainly on the Andreeva Bay and Gremika Bay naval bases, Tacis is complementing these activities by funding safety studies in the region. These studies will provide assistance to the Decommissioning of Nuclear Installations Department of the Ministry for Atomic Energy and the nominated subcontractors. Furthermore a Centre for governmental and public awareness and acceptance of radwaste management issues in the Murmansk Region to support the local authorities will be established.

The Tacis programme is also assisting the Kola Nuclear Power Plant to improve its safety conditions by means of operational assistance to the operators of the plant. In 2004, four equipment supplies projects for Leak before break detection and waste, contracted at the end of 2003 have been implemented. The assistance is complemented by a parallel project to assist the Russian nuclear safety regulators to license the safety improvements.

The European Commission participated in the Baltic Sea States Council working group on nuclear and radiation safety (WGNRS). The main EU-related topics in this group are the development of the environmental radiation monitoring systems, the agreement on exchange of monitoring data, proposed regional agreement on radiation emergency assistance, harmonisation of emergency intervention levels, control of radiation sources and illicit trafficking issues. In addition the group organises annually radiation emergency exercises, which have been very useful for the Commission radiological emergency preparedness staff. The Commission finds this group very valuable, since experience has shown that nuclear/radiation safety initiatives introduced in the Baltic Sea area are often followed in other regions and even on global scale.

3.5. Cross-Border Cooperation

3.5.1. INTERREG

INTERREG III is one of the European Commission's Community Initiatives and is funded by the European Regional Development Fund (ERDF). It supports cross-border, transnational and interregional co-operation across Europe, and, consequently, has a key role to play in the implementation of the Northern Dimension process. INTERREG is a decentralised initiative, and the preparation, presentation and selection of projects is undertaken at the national, regional and local levels as appropriate.

In 2005 implementation of programmes that were approved in 2004 between the new Member States, as well as with their neighbouring countries, has started. First experience shows that there is a great interest in the new Member States and in the neighbouring countries to get together and to work on joint project preparation. Calls for proposals were launched for all newly adopted programmes in 2004 and many projects have been selected.

There has been an active and close involvement of Russian partners in all preparatory and implementation processes in the programmes with Russia. Russian partners are equal members in both Monitoring Committees (a supervising body of a programme) and Selection Committees (whose main task is selection of projects) of programmes concerned. For most programmes branch offices of Joint Technical Secretariat have been opened in Russia and employees from Russia have been hired. The branch office is an important contact point for support and advice to project applicants on the other side of the border.

In total 26 joint projects have been approved by Selection Committees (19 projects in the Baltic Sea Region programme area and 7 projects in the Kolarctic subprogramme of the INTERREG IIIA Nord programme) in 2005. The total sum of projects approved amounts to € 4,380,150 from Tacis funds.

The table below sets out the funding available under the relevant programmes.

Programme	Participating Countries	Total Funds (4+5+6+7+8)	Total Public Funds (5+7)	ERDF	Tacis indicative	National public funds	Other
1	2	3	4	5	6	7	8
INTERREG IIIA							
Nord	FIN, S, N, RUS	133.2	80.72	47.6	3.5	33.13	48.95
Euregio Karelia	FIN, RUS	74.2	57.2	28.6	4	28.6	13
S-E Finland/ Russia	FIN, RUS	89.8	56.15	22.17	6.5	33.98	27.16

Lithuania-Poland-Kaliningrad	LT, PL, RUS	48.7	48.7	36.53	9.5	12.17	
Estonia-Latvia-Russia	EE, LV, RUS	10.45 **	10.31	7.84	7.5 *	2.47	0.14
Cross-border		356.35	253.08	142.74	31	110.35	89.25
INTERREG IIB							
Baltic Sea Region	DK, D, FIN, S, BEL, EE, LV, LT, N, PL, RUS	255.48	214.31	147.57	15	66.74	26.17
Total		620.83	467.39	290.31	46	177.09	115.42

All figures in € millions

* € 7.5 millions is for the period 2004-2006 for the 2 cross-border co-operation programmes “Estonia-Latvia-Russia” and “Latvia-Lithuania-Belarus”.

** Excluding Tacis funds.

Project examples

The main goal of the project “*Strategy and Action Plan for the Barents Region up to 2010*”, financed in the framework of the Baltic Sea Region programme, is to develop a strategy and action plan for future co-operation within the Barents region. The Barents region consists of thirteen regions and many different ethnic groups in four countries, which have a lot of common problems. Differences in culture, legal framework, etc. create problems and hamper fruitful co-operation. Almost all parts of the region are losing population and it is alarming that the young generation is leaving the region. The project will give added value to the development of the Barents region.

The Euregio Karelia programme supports a project “*Barents business trades and development*” that is based on co-operation between chambers of commerce realised in the Euro-Arctic area of the Barents Sea. The co-operation thus far has helped to identify factors having impact particularly on business activities between Finland and Russia and on the amount and level of trade and investments. The project defines and registers business opportunities as well as factors preventing, delaying and hampering them from the viewpoint of enterprises already operating as well as of those planning to establish their activities in the region.

3.5.2. Coordination between INTERREG and Tacis has developed with the introduction of Neighbourhood Programmes

Since 2004 specific Neighbourhood Programmes have been developed. These build on earlier INTERREG programmes and they include the following key features:

- the programmes enable funding to be allocated on both sides of the external border;
- the programmes' priorities take account of necessary objectives and activities on both sides of the border;
- the rules governing the programmes' management and committee structures ensure a balanced membership from both sides of the border, and include appropriate Commission representation. There is a single application procedure and joint decision making for project selection, covering both sides of the border.

The total volume of funding provided by the European Union for these programmes over the period 2004-06 is €955 million, representing €700m from INTERREG, €75m from Tacis, €45m from CARDS, €45m from Meda, and €90m from PHARE. Additional co-financing will also be provided by national, regional and local levels as appropriate.

Neighbourhood Programmes were approved in 2004 and 2005 was the first implementation year. As first experience shows, the funding available is rather unbalanced at this stage of programme implementation. For most of the Neighbourhood Programmes the biggest share of ERDF funding has already been committed, therefore not much funding was left for joint projects. A problematic aspect was also the late signing of the Tacis CBC Action Programme 2004 (which allows the funding from Tacis to be spent in Russia). In some cases joint calls for proposals were possible only at the end of 2005, thus projects will be selected in the first half of 2006 only.

In addition, the Tacis CBC Action Programme 2005 has not yet been signed by the end of 2005. That also hampers the process of joint projects being selected and implemented in due time and the funding available to be absorbed accordingly.

The Neighbourhood Programmes contribute widely to supporting the Northern Dimension Action Plan through the funding made available along the EU's external borders in the Baltic Sea area through the six different Neighbourhood Programmes. Furthermore, the programmes focus on the beneficiary regions and have decentralised management structures, giving the regions influence over programme priorities and the selection of projects.

3.6. Justice and Home Affairs

The Baltic Sea Task Force on Organised Crime established in 1996 aims to act as a regional best practice example for multidisciplinary operational law enforcement cooperation against organised crime in the Baltic Sea region. In its existence it has fostered regional operational law enforcement cooperation (including border guards, customs, and coast guards) cooperation in the Baltic Sea region and actively facilitated the EU accession of Estonia, Latvia, Lithuania and Poland especially in police and judicial cooperation in 2004.

The Chairman of Baltic Sea Task Force on Organised Crime is Finland from 1 January 2005 until 31 December 2006. Estonia will take over the Chairmanship as of 1 January 2007.

The Baltic Sea Task Force on Organised Crime continues to play an important role as a best practise example of regional operational law enforcement co-operation involving on one hand EU Member States (Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden) and on the other hand non EU MS Russia, Norway and Iceland thus contributing to the development of Justice, Freedom and Security in the Baltic Sea Region.

The Commission fully supports the closest cooperation between the Baltic Sea Task Force and Europol, the complementarity of their actions including avoiding unnecessary overlaps. The Commission also positively regards the work of the Task Force concerning the further development of the concept of Intelligence Led Law Enforcement.

The Commission takes active part at the work of the Baltic Sea Task Force at its different levels – meetings of experts' groups (especially on drugs, illegal migration, trafficking in women and children, stolen goods and intelligence), Operative Committee (OPC), Task Force, Ministerial etc. At the Operative Committee and Task Force meetings, the European Commission always provides an update on the most recent and important EU legislative and policy developments. In 2005 the Commission represented by DG JLS attended all 2 Task Force meetings (in Helsinki, 9 – 10 June 2005 and in Saariselkä, Lapland, 1-2 December 2005) and all 5 Operative Committee meetings (Helsinki, in February; Lyon, in April; Helsinki, in May; Skåvsjöholm, Sweden, in October and Tampere, November 2005).

The Commission welcomes the work of Baltic Sea Task Force to foster closer practical co-operation between Europol and Russia which will also facilitate the conclusion of the operative agreement Europol and the Russia. In this regard the Commission strongly supports the activities of Baltic Sea Task Force to link its activities to strengthen regional multidisciplinary law enforcement cooperation in the Baltic Sea Region with the implementation of the EU-Russia Action Plan on Organized Crime and the EU-Russia Road Map for a Common Space of Freedom, Security and Justice.

In view of the implementation of the EU strategy on the external JLS dimension, the Baltic Sea Task Force could serve as a model for other future regional co-operation frameworks in combating organised crime. To this regard the positive experience of the Baltic Sea Task Force should be taken into account to assist the strengthening of regional co-operation in combating organised crime in Western Balkans, in particular the efforts of EU and Europol to assist the functioning and operational capacity of the SECI centre.

4. CONCLUSION

2005 has been the year in which the Northern Dimension policy has begun an important evolution. The Northern Dimension Ministerial meeting of 21 November represents a turning point because: a) the Russian Federation, the biggest member of this policy and main beneficiary adopted a favourable position towards the Northern Dimension with an active participation in the meeting and approving, along the other parties the Guidelines for a reshaped policy as from 2007 and b) the Ministerial meeting opens the process of a negotiation (throughout 2006) to re-write the basic documents of the Northern Dimension, to replace as from January 2007 the 2nd Action Plan with a Framework Policy Document and a Political Declaration that will make the Northern Dimension policy a shared policy of all its parties. The new basic Northern Dimension documents will also provide a more stable basis for this policy, without a fixed expiry date.

ANNEX

GUIDELINES FOR THE DEVELOPMENT OF A POLITICAL DECLARATION AND

A POLICY FRAMEWORK DOCUMENT

FOR THE NORTHERN DIMENSION POLICY FROM 2007

I) INTRODUCTION

1. Established in 1999, the Northern Dimension (ND) policy aimed at providing a common framework for the promotion of dialogue and concrete cooperation, strengthening stability, wellbeing and sustainable development in northern Europe. The Northern Dimension covers a broad geographic area stretching from the Arctic and Sub-Arctic to the southern shores of the Baltic, and from North-West Russia in the east to Iceland and Greenland in the west. The ND focus increasingly in North West Russia, the largest territory covered by the ND policy, with its specific challenges affecting also the other ND parties. The ND policy is now becoming a joint project of its parties and should ensure that no dividing lines are re-established in the North of Europe.
2. The ND parties are the EU Member States, the Russian Federation, Norway, Iceland and the European Commission. The Northern Dimension provides also a frame of reference for intensified transatlantic cooperation of the ND parties in matters concerning the northern regions of the world, through the observer status of USA and Canada.
3. The regional organizations in the North of Europe, i.e. the Council of the Baltic Sea States (CBSS), the Barents Euro-Arctic Council (BEAC), and The Nordic Council of Ministers (NCM) are important actors embracing a wide range of cooperation in their respective geographical area. The ND aims to enhance the synergies of these organizations, maximizing the use of the resources available for the region, while avoiding any possible overlapping. The Arctic Council (AC), with a wider geographical coverage, maintains strong links and shared objectives with the European regional organizations in the North and with the Northern Dimension. All four Northern regional organizations identify needs for development and cooperation in their respective areas and support project implementation in different ways.
4. The sub-national, regional and local entities have an important role in the implementation of projects and activities, in line with the principle of subsidiarity. The International Financial Institutions active in the North, as well as civil society in general, particularly the business sector and non-governmental organisations are relevant ND actors which have provided important contributions to the implementation of the ND policy.

5. The Kaliningrad oblast with its particular geographical situation as well as the extensive Arctic and Sub-arctic areas, notably those of North West Russia are priority areas for the ND policy. Assuring the full economic and social integration of these priority areas within the dynamics of the ND region while preserving at the same time national sovereignty is a ND objective.
6. At present there are two Partnerships within the ND framework: the Northern Dimension Environmental Partnership (NDEP) and The Northern Dimension Partnership in Health and Social Wellbeing (NDPHS). The NDEP has proved to be a success by combining efforts and commitment of ND parties and by establishing a model of cooperation between international financial institutions. Its Fund has allowed the implementation of important environmental projects. The NDEP may be considered as a pattern for future Partnerships.
7. A permanent flow of information is a key element of the Northern Dimension policy. All ND stakeholders should provide update information concerning their projects, either bilateral or multilateral, to the ND Information System. The ND annual reports should be endorsed jointly by all ND parties.

II) A NORTHERN DIMENSION POLICY FROM 2007 ONWARDS

1. Taking account of the enlargement of the European Union (EU) in May 2004 and the adoption of the Road Maps for the four Common Spaces between the EU and the Russian Federation in May 2005, the ND requires some reshaping in order to better fit into the new operational environment. While keeping the broad geographical coverage, the ND policy should be used as a political and operational framework for promoting the implementation of the EU-Russia Common Spaces at regional/sub-regional/local level in the North with full participation of Norway and Iceland. In addition, Belarus could be encouraged to participate in expert level cooperation in the ND framework.
2. The new ND should be considered therefore as a regional expression of the Common Spaces. Therefore, the new ND policy framework should identify areas of cooperation where a regional emphasis would bring added value. However it should continue to include some additional objectives of specific relevance in the North, i.e. its fragile environment, indigenous peoples' issues, health and social well being, etc. Russia and the EU are invited to make ND a cross-cutting topic where appropriate for the dialogues launched or considered within the framework of implementation of the road maps.

Cooperation Sectors

1. The current ND cooperation areas (economy, business and infrastructure; human resources, education, culture, scientific research, and health; the environment, nuclear safety and natural resources; cross-border cooperation and regional development; justice and home affairs) should be re-focused in line with the Common Spaces as described in § 9 above.
2. The following ND sector division could be established:
 - *Economic cooperation* (promotion of trade, investments and business level cooperation, and development of the energy, transport and information technology infrastructure);
 - *Freedom, Security and Justice* (facilitation of people-to-people contacts, prevention of trafficking in human beings, drugs trafficking, illegal immigration and other cross-border crime, development of border monitoring, rescue services and good governance, and the efficiency of the judicial system);
 - *External security* (civilian crisis management);
 - *Research, education and culture* (increased cooperation and exchange programmes, people-to-people contacts);
 - *Environment, nuclear safety and natural resources*: (reduction of the risk of nuclear and other pollution, marine safety, protection of the Arctic ecosystems and biodiversity, forests and fish stocks; cooperation in the field of water policy, supporting a fruitful continuation of the Northern Dimension Environmental Partnership and its support fund);
 - *Social welfare and health care*: (prevention of communicable diseases and life-style related diseases, supporting the work of the Partnership in Health and Social Wellbeing).

The areas for cooperation should be developed jointly, taking account of the interests of all ND stakeholders.

3. While maintaining the comprehensive ND nature and underlying its main objective of becoming the privileged forum for discussing the challenges of northern Europe, its cooperation activities should focus on a realistic number of themes to be decided jointly in order to maximize the use of the limited resources.
4. Cross-border cooperation should continue to be a cross-cutting theme producing added value at the sub-regional and trans-national level, enhancing regional development, the involvement of civil society and people-to-people contacts keeping in mind the objective of visa free travel between the EU and Russia as stipulated in the St. Petersburg Summit of May 2003. The ND also promotes the development of national and regional strategies for sustainable development, in line with internationally recognized principles, as well as good governance, transparency and participation, gender equality, the rights of minorities, social cohesion, non-discrimination, the protection of indigenous peoples and supports the further strengthening of civil society and democratic institutions.

Implementation and Monitoring

5. The structures of cooperation mechanisms under the ND will be agreed upon by the ND Parties at a later stage. It is clear that they will function at Ministerial and Senior Officials level and will provide policy guidance and monitoring. The agendas of all the meetings within the ND framework should be prepared in full consultation of all ND parties.
6. ND activities are implemented by various actors and financed from different sources, such as the existing EU financing programmes, national budgets, international regional organizations, international financial institutions, regional and local public organizations, other public bodies, such as universities, and private sources, including civil society. As far as the EU is concerned, from 2007 on, the new European Neighbourhood and Partnership Instrument (ENPI) should be a central source of EU financing for ND activities, notably focussing on cross-border cooperation, along the lines of the relevant EU-Russia financial cooperation arrangements to be developed. The ND should also benefit from other applicable EU programmes.”
7. Adequate financial support is an important factor for the efficient functioning of the ND policy. The principle of co-financing from the EU, Russia, other ND parties, as well as from international (EIB, EBRD ...) and private financial institutions where appropriate, should be the general rule.

III) THE NEW POLITICAL DECLARATION AND FRAMEWORK DOCUMENT TO BE ADOPTED IN 2006

1. The new ND basic texts should be negotiated and adopted jointly by the EU, the Russian Federation, Norway and Iceland, leading to a consolidated common Northern Dimension policy, to which the parties should provide their full commitment. They should consist of a joint political declaration and a framework policy document stating the objectives and identifying the necessary structures for achieving them. The ND document should be considered a common achievement which could be agreed in the second half of 2006 and enter into force in 2007.
2. The new ND political declaration and framework policy document should have a permanent nature. Nevertheless it would be important to ensure regular reviews. All ND parties and actors should provide their assessment to the ND meetings in order to facilitate the regular reviews.

CONCLUSION

The ND Parties agree to set up a joint expert level steering group that will be charged with the drafting of the abovementioned documents.

The ND Ministerial Meeting invites all ND parties and actors to participate in the debate on a new ND. Russian participation in this debate is crucial in order to obtain an active Russian involvement in all ND meetings and activities.

List of abbreviations

AC	Arctic Council
ACIA	Arctic Climate Impact Assessment
BASREC	Baltic Sea Region Energy Co-operation
BEAC	Barents Euro-Arctic Council
BEATA	Barents Euro-Arctic Area
CBC	Cross Border Cooperation
CBSS	Council of the Baltic Sea States
CoR	Committee of the Regions
EESC	European Economic and Social Committee
EBRD	European Bank for Reconstruction and Development
EEA	European Economic Area
EP	European Parliament
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
e-Pine	The (US) Enhanced Partnership for Northern Europe
ERDF	European Regional Development Fund
FLEGT	EU Action Plan for Forest Law Enforcement, Governance and Trade
GALILEO	European Satellite Navigation System
HELCOM	Helsinki Commission
ICT	Information and Communication Technology
IFIs	International Financial Institutions
INTERREG	Community programme aiming to stimulate inter-regional cooperation within the EU
IPY	International Polar Year
IT	Information Technology
JHA	Justice and Home Affairs

JRC	The European Commission Joint Research Centre
LIFE	EU Financial Instrument for the Environment
MEDA	Instrument for economic and financial cooperation under the Euro-Mediterranean Partnership
MNEPR	Multilateral Nuclear Environmental Programme in the Russian Federation
NCM	Nordic Council of Ministers
ND	Northern Dimension
NDEP	Northern Dimension Environmental Partnership
NDSys	Northern Dimension Information System
NDAP	Northern Dimension Action Plan
NEFCO	Nordic Environment Finance Corporation
NGOs	Non-Governmental Organisations
NBC	National Bureau of Coordination
NIB	Nordic Investment Bank
NOC	Nuclear Operating Committee
PCA	Partnership and Cooperation Agreement (EU-Russia)
Phare	Community assistance programme for the Central European candidate countries
RTD	Research, Technological Development and Demonstration
SAOs	Senior Arctic Officials
SAPARD	Pre-accession agricultural instrument
SINEEA	European Parliament's Delegation for Relations with Switzerland, Iceland and Norway and to the EEA Joint Parliamentary Committee
SMEs	Small and Medium-Sized Enterprises
SMP	Strategic Master Plan
SOIS	Senior Officials for the Information System
SOM	Senior Officials for the Information System
Tacis	Community Technical Assistance programme for the Commonwealth of Independent States

TEN-E Trans-European Energy Network

TEN-T Trans-European Transport Network

WTO World Trade Organisation