



European Economic and Social Committee

TEN/144
Trans-Euro-Mediterranean
energy networks

Brussels, 29 October 2003

OPINION

of the European Economic and Social Committee

on

Trans-Euro-Mediterranean energy networks

(Exploratory opinion)

On 27 March 2003, in a letter sent by **Mrs Loyola de Palacio**, the Commission asked the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, to draw up an exploratory opinion on

Trans-Euro-Mediterranean energy networks.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the work on the subject, adopted its opinion on 10 October 2003. The rapporteur was **Mr Hernández Bataller**.

At its 403rd plenary session (meeting of 29 October 2003), the European Economic and Social Committee adopted the following opinion by 120 votes to two with two abstentions.

1. **Background**

1.1 The Euro-Mediterranean Conference held in Barcelona in November 1995 was a milestone in the relationship between the European Union and the associated non-member Mediterranean countries, establishing the creation of an economic and social area based on shared prosperity. In order to attain this objective, in line with the strategy agreed in Barcelona, a system of political meetings was drawn up alongside initiatives aimed at bringing together civil society and the economic players¹. Last but not least, a Community Programme entitled "MEDA" was created with significant resources at its disposal.

1.2 From the very start, it was clear how potentially important more intensive cooperation in the energy sector was for both the Mediterranean countries and the European Union. First and foremost, an adequate supply of all types of energy at competitive prices is a prerequisite for promoting economic development. Secondly, several southern Mediterranean countries have major energy reserves, essentially hydrocarbons, and in order to develop, use and transport this energy to the end markets, major resources are needed, coupled in many cases with stability on the home consumer market. Lastly, the global dimension of sustainable development means that the supply and use of energy resources must be accompanied by optimum protection of the environment.

1.3 This led to various initiatives. First of all, at the Malta Conference of 1997, energy was established as one of the six priority sectors. Secondly, again in 1997, the Euro-Mediterranean Energy Forum was set up composed of senior representatives of the 27 EU and Mediterranean countries. Thirdly, the companies of the energy sector created the Mediterranean Energy Observatory (OME), which operates as a research and study centre dealing with the current situation and future prospects of the energy sector across this region. Lastly, in 2002, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), which is multi-sectoral and managed by the

¹ The EESC was mandated at the Barcelona Conference to coordinate those initiatives undertaken by national ESCs in this region in relation to the global Euromediterranean strategy

European Investment Bank (EIB), was created. The Italian presidency of the EU has expressed an interest in increasing its funding and in this facility ultimately forming the nucleus of a Euro-Mediterranean Investment Bank.

1.4 At the same time several political meetings were held, most recently the highly significant Euro-Mediterranean Ministerial Conference on Energy which took place in Athens in May of this year. The OME, together with other bodies such as the European Forum for Renewable Energy Sources (EUFORES) and the Euro-Mediterranean Forum of Economic Institutes (FEMISE), organised both technical and business conferences and carried out important research into the current situation and challenges on the energy market.

1.5 The three most recent developments are the Green Paper "Towards a European strategy for the security of energy supply", drawn up in October 2000, the communication issued by the Commission on 13 May 2003 on the development of energy policy for the enlarged EU, its neighbours and partner countries and, lastly, the inclusion in July of 2003 of South-North connection projects for the Mediterranean in the revised list of priority Trans-European Energy Network (TEN) projects.

1.6 It is the view of the European Economic and Social Committee that the above elements constitute an adequate political and technical basis for promoting a partnership in the energy sector, a key element in which is the development of energy interconnection networks.

2. **Priorities for 2003-2006**

2.1 The priorities adopted by the energy ministers in May of this year on the basis of the recommendations of the Euro-Mediterranean Energy Forum can be divided into **three main areas**:

- concrete energy policy action at regional level and development of infrastructure projects of common interest;
- creation of financing mechanisms for these projects of common interest and promotion of industrial cooperation in this respect;
- development of logistic support for the Euro-Mediterranean Energy Forum.

These areas will be the main topics on the agenda of the next Euromed Conference on energy infrastructures to be held in December of 2003 during the Italian presidency of the EU.

Within these three areas, six major focal points have been identified comprising a total of 24 priority actions and a large number of concrete energy infrastructure projects (9 for natural gas and 12 for electricity). Within the **first area** two types of action are to be undertaken side by side. In terms of **infrastructure**, a fully integrated and interconnected Euro-Mediterranean

electricity and natural gas market is to be created. With respect to **Euro-Mediterranean energy policy**, a harmonised legal framework is to be set up covering both pricing and technical aspects related to trade, the reduction or potential elimination of tax concessions that prevent the promotion of rational energy use, increased use of renewable energy sources and enhanced security of supply in the transport of hydrocarbons by sea.

2.2 Within the **second area, namely project financing**, the focus has been firmly set on use of the FEMIP, finding new financing measures at regional level with the participation of the EIB and other multilateral lending organisations such as the World Bank and the Regional Development Banks (RDB) and lastly, the possibility of drawing up legislation that will offer a better guarantee to potential investors. The desired industrial cooperation is to be achieved through the transfer of technology and the elimination of the legal impediments to the creation of joint ventures involving businesses from different countries in the region.

2.3 The **third area** covers the need for **financing to enable the three working groups set up within the Forum to continue their tasks**, and which hope to involve some 100 specialists in their meetings, as well as the 11 studies deemed necessary, of which 7 are regional and 4 national in nature. Several of these studies have already been started and when they are finished will provide clear details of the objectives to be met. It is estimated that around €49 million will be needed.

3. Current challenges

3.1 The detailed definition of the priorities to be adopted must take account of the **challenges** faced by Euro-Mediterranean cooperation in the field of energy, summarised below.

3.2 The first challenge will be to determine **the real implications of the security of energy supply to the EU** and the Mediterranean as a whole, and just how this cooperation and the development of interconnecting energy networks can improve it.

3.3 The second will be to outline the **role to be given to public sector and private operator initiatives in developing this cooperation**, and how this is viewed in the various countries and regions, in terms both of financing problems and the creation of the legislative and regulatory frameworks.

3.4 Thirdly, it will be necessary to **set down concrete financing needs**, determine available public-initiative resources, in particular from MEDA, FEMIP, the EIB, the World Bank and the RDB, look for a new way to reduce non-business risks and, in parallel, enhance the interest and capacity of the private sector to take on projects.

3.5 The fourth challenge will be to **develop South-South initiatives to complement the North-South initiatives**, the latter being of particular interest to the European Union and the

energy exporting countries. This will create a true feeling of partnership in the Euromed area and its various sub-regions.

3.6 In fifth place comes **the creation of genuinely sustainable energy policies** which encourage rational energy use and promote renewable energy sources whilst alleviating the environmental impact of energy use. Similarly, within these policies particular attention should be paid to the issue of **rational use of water**, as considerable quantities of energy are going to be required across the Mediterranean for the purposes of desalination to meet the sharp increase in demand for both agricultural and residential use.

3.7 The sixth challenge will be to harmonise the legislative and regulatory frameworks and provide adequate information to legislators and other officials responsible for implementation.

3.8 The seventh challenge will be **to draw up a joint position to be adopted by the EU Member States and the other Mediterranean countries in international bodies** such as the Conference on Climate Change (UNFCCC), the Johannesburg Renewable Energy Coalition (Coalition of the Willing) set up at the Johannesburg summit and the International Maritime Organisation (IMO).

3.9 Lastly, the greatest and most important challenge will without doubt be to **place into appropriate order all the priorities outlined in the previous point**, along with the challenges mentioned earlier, so as to turn the objectives and projects already sufficiently identified into reality in a progressive and clearly structured manner.

4. **The concept and importance of security of energy supply**

4.1 In its opinion on the Green Paper of May 2001, the Committee indicated, amongst other things, that one essential element of the debate was to understand that although EU dependency on external energy supplies is set to soar in the future, it is crucial that the notion of dependency be dissociated from the notion of risk.

4.2 The Commission then included this assessment in its document issued in December of 2001, which summarised the various contributions made with respect to the Green Paper. Other contributors to the debate had thrown up the very same issue. A series of new concepts surrounding the amended notion of security of energy supply can be taken from this document and summarised as follows:

- Increased external dependency must not automatically imply greater risk as to security of supply.
- Enhanced security of supply to the EU depends to a large extent on appropriate use of energy resources globally. This is in line with the Kyoto commitments and rests on the absolute priority

that must be given to concrete projects undertaken internationally to promote rational energy use and placing such rational use at the very centre of all economic and social development.

- In order to achieve the cooperation that is required across the globe in the energy sector, three aims must be met. First of all, there must be transfer of technology both for the use of domestic fossil and renewable resources and in order to promote rational energy use. Secondly, investment must be encouraged in order to make possible the use of new resources whilst guaranteeing a return on and recovery of the capital invested. And lastly, suitable conditions must be created for the transit of energy products so as to benefit the producer, consumer and transit countries in a fair manner.
- The energy sector must become a priority in the European Union's external relations, promoting both producer-consumer dialogue at the global level and including this issue as a central topic in its bilateral relations with the Mediterranean countries and Russia, to give but two examples.
- Equally, the idea that eco-taxes could be acceptable in specific cases must be considered. Energy taxation intended to enhance security of supply, in particular where it also improved the protection of the environment, could be widely accepted.

4.3 Whilst a constant and regular supply of energy is vital to the EU, it must be remembered that the creation of an area of shared prosperity will guarantee the future stability of the EU and the whole Mediterranean region. It is for this reason that it is necessary to promote South-South energy cooperation within the Mediterranean region and its sub-regions in order to guarantee regional stability and ensure the harmonious development of Mediterranean society.

5. The role of the public authorities and of private initiative

5.1 The magnitude of the investment required means that the private sector is going to have to shoulder the lion's share of the burden, supplemented, especially in the southern and eastern Mediterranean countries, by the active participation of public-sector energy companies in these countries.

5.2 Nonetheless, the important role to be played by the public authorities within the EU and the other countries of the Mediterranean cannot be ignored. This role will centre on the following tasks:

- to lay the basis for adequate political and social dialogue so as to minimise what is known in financial terms as "country risk" and any additional related costs and to secure for the citizens of the South and East Mediterranean countries far-reaching services that will give them security and safety for the future;

- to participate in financing feasibility studies for infrastructure or concrete projects of common interest, i.e. projects which benefit the EU and at least one non-EU Mediterranean country;
- to co-finance priority infrastructure projects not fully covered by private initiative and according to specific conditions;
- to draw up legislative and regulatory frameworks that will facilitate joint operational or infrastructure projects, including the transit of energy products through non-EU countries.

6. **Financing of the Euro-Mediterranean energy sector and its infrastructures**

6.1 Several studies have attempted to provide clear indications of the investments that will be needed to finance South-North and South-South interconnection infrastructure. For the first, the aim is to double the supply of gas to the European Union through three points, strengthen existing electricity connections and build pipelines for the transport of crude oil. In terms of South-South cooperation, the overarching aim is to create what are referred to as Mediterranean gas and electricity "ring networks". The undeniable and immediate advantage of the latter for all parties is the support they provide for the management of the relevant systems, which in turn leads to reductions in any supply downtimes. The one sticking point in this respect is the inclusion of Libya in the ring network in order to ensure it is complete. Plans are afoot to create an integrated sub-regional electricity market in the Maghreb. These were ratified from a political point of view at the recent meeting of energy ministers held in Athens in May of this year.

6.2 Studies carried out by different organisations, such as FEMISE and the OME, estimate the required investment in infrastructure and development of the production sector at around €200 billion over the next 10 years, with €110 billion earmarked for the electricity sector (€70 billion for generation and the remainder for transport and distribution). These figures are based on estimates for the year 2000 and today's figures could turn out to be somewhat higher. It is also important to note that 50% of the investments needed refer to just two countries, Turkey and Algeria. It was not possible to ascertain what part of the investments was intended for Energy Networks of Common Mediterranean Interest (ENCMI).

6.3 Against such a background, constructive action is needed. On the one hand, according to FEMISE, in the 1990s Foreign Direct Investment (FDI) in these countries amounted to some €15 billion per annum for all sectors of the economy, divided equally between public-sector investments, made by multilateral institutions and development cooperation programmes, and private-sector investments. With the new FEMIP, the EIB expects to be able to increase its investment capacity for the Mediterranean from €1,4 billion to €2 billion per annum. It will therefore be crucial for private initiative to supplement this major investment drive. New ideas, such as the recent Averroes risk capital initiative, with a budget of €26 million, are a timid first step in the right direction.

6.4 In the Committee's view, one issue that has thus far been insufficiently analysed is the possibility of granting access to competitors to major interconnection infrastructure financed in part by Community money. For the moment, this infrastructure is governed by the principles of owner priority and first-come first-served to determine how any surplus capacity is used. This issue should be analysed from a legal point of view. It could become a distortive factor in terms of the participation of private initiative in the construction of major North-South interconnections.

6.5 Some recent data point to a significant increase in private investment in the energy sector in the Mediterranean countries. Major projects financed by the private sector are up and running in Turkey, Algeria and Egypt. In the latter countries the focus is on exporting their energy products. However, although the scale of these projects is impressive, they are one-off cases which are in no way interlinked and, whilst bringing considerable mutual benefits both for the investors and the country concerned, do not form part of the collective partnership strategy.

6.6 It is for this reason that new actions must be drawn up based on the following guidelines:

- to promote reciprocal investment protection agreements based on the bilateral agreements between the EU and the relevant Mediterranean countries;
- to establish precise criteria for the use of infrastructure financed partially using public subsidies;
- to improve the domestic legislation of the Mediterranean countries involved so as to increase foreign investment in the energy sector wherever socially and economically possible, both to boost exports and to meet domestic supply requirements for the local population and industry;
- to develop new financial services tailored to the Euro-Mediterranean situation as approved at the Athens Ministerial Conference, with the support of the EIB, the World Bank, the Regional Development Banks and the private banking sector;
- to increase the amounts of both national and Community financing earmarked for the development of energy projects of common interest with a high strategic and social value and which also have evident benefits for the environment;
- to promote industrial cooperation in the energy sector through agreements between major companies and between the latter and governments, including the manufacture and maintenance of equipment and the creation of a local production base.

7. **The North-South and South-South dimensions**

7.1 It is clear that any North-South connection infrastructure will benefit not only the energy exporters and transit countries which take a levy for the use of the infrastructure and gain

from the creation of both employment and wealth during the construction phase, but also and quite particularly the European Union.

7.2 Nonetheless, many such connections (natural gas, oil and electricity) are based on exclusive export to the European Union, meaning not only that the exporter countries renounce any possible dealings with other importers, even in the south of the Mediterranean itself, but also that priority is given to EU exports over domestic consumption, a figure that is rocketing as a result of the population explosion and economic growth.

7.3 It would therefore seem necessary to promote South-South interconnections in parallel to North-South connections with the three-fold objective of increasing overall security of supply in the region, enhancing the synergy of the economies involved and creating a feeling of partnership between the Mediterranean countries and the European Union.

7.4 At the same time, some of this infrastructure could be doubly useful where the North-South connection runs through non-EU transit countries. Not only that, but it would improve both the physical and technical security of EU energy supplies in that several alternative routes would be available for use during one-off or even longer-term crisis situations. This solution would also be an alternative to the suggestion by the European Commission that the levels of strategic stocks within the Union itself should be increased. This latter proposal has met with considerable reservations.

8. Development of sustainable energy policies

8.1 As outlined above:

- If the current trend continues and a major effort is not made to improve rational energy use, domestic energy consumption in the countries of the southern Mediterranean is set to grow exponentially. A similar effort to improve rational energy use will have to be made in the EU.
- Investment needs in the energy sector are very high and will be met only if both public and private initiative are involved together. The private sector will only participate if suitable guarantee and profitability conditions can be created for its investments.
- There is a clear need to introduce legislation and regulations in the energy sector that will make for sustainable economic growth, generate income from energy exports and promote the rational use of energy.

8.2 The organisation model used by the energy sector in the European Union is a sound example, provided the following truths are accepted:

- The energy model used by the European Union has evolved over several decades from majority state ownership and strict government control to an open-market model with regulated competition.
- The situation in each of the countries of the southern Mediterranean is quite distinct and transferring the current model used by the European Union must be a long-term aim based on a variety of approaches that will not necessarily involve the creation of an internal Euro-Mediterranean energy market in the short term or even in theory.
- Hand in hand with the progress made on liberalisation of the energy sector, it will be important to safeguard all missions of common interest implemented by the energy sector. The European Economic and Social Committee has not yet seen this aspect reflected in any official documents dealing with Euro-Mediterranean cooperation. To ignore this aspect will lead to major social disputes and the possible stagnation of the entire process.

8.3 Nonetheless, the cautious, gradual approach and social dimension considered to be essential by the Committee must not overshadow other aspects that will enable consensus to be reached as to the direction any Euro-Mediterranean energy policy should take. These aspects are:

- the need to create solidarity in the energy sector by strengthening both bilateral and regional cooperation. The national dimension of sectors such as energy is limited;
- the need for energy policies that promote rational use of energy above all else, which support renewable energy sources as much as possible and which include the combined aspect of water and energy which is relevant to all of the countries of the Mediterranean to a greater or lesser extent;
- the need for fiscal policies that comply with these objectives and eliminate unnecessary subsidies, including those of a social nature, which cannot be sustained in the longer term and which discourage those types of consumption that offer low added social and collective value;
- the need to integrate the protection of the environment into all energy projects and in particular to apply the same criteria used within the European Union to those projects which the Union considers to be of a priority nature, including the Trans-European Energy Networks.

9. Harmonisation of legislative and regulatory frameworks

9.1 As already indicated under the previous point, the harmonisation of legislative and regulatory frameworks must not be seen as an end in itself but rather as a means of obtaining true Euro-Mediterranean partnership in the energy sector.

9.2 Accordingly, harmonisation of the legislative and regulatory frameworks must begin with those aspects that will promote the sustainable energy policies already drawn up beforehand. In other words, we should not endeavour to create an energy market based on the EU model in the southern part of the Mediterranean region with immediate effect. First of all, legal frameworks must be set up that are adapted to the circumstances of the countries concerned and are compatible with the current strong growth of the energy sector fed by the population increase and higher expectations. Such frameworks will also enable the countries involved to export any surplus energy to the European Union.

9.3 Regulatory frameworks such as that used in Europe from 1950 to 1990, established in line with the phases of strong growth experienced by the energy sector and based on a system of territorial concessions granted under the aegis and supervision of the government authorities, need to be opened up to private initiative and investment. The experiences of other regions of the world, such as Latin America between 1970 and 1990, show that a public-sector monopoly of the energy sector does not guarantee supply in the face of growing demand; rather it serves only to attract international capital which is swallowed up by the receiving state and does not benefit other sectors which are unable to guarantee similar returns.

9.4 The framework eventually established will nonetheless need to sustain in their entirety those projects of general interest currently being carried out by the energy sector in the countries concerned, taking as its reference the past experiences of the EU. Were the energy market to be opened up, even partially, without maintaining public service obligations – especially the obligation to provide a universal service – the result would be social discontent and potential failure of the model within a few years.

9.5 An effort must also be made to (a) create a framework for the protection of foreign investment so as to eliminate political risks, bring down the cost of the new installations – and, with that, the energy supply – and provide added value for the general public, who would pay less for the energy they need, and (b) support the development of new economic activities. In this respect, it would be both possible and desirable to define a framework within which to harmonise all legislation concerning investments so as to eliminate any competition not justified on purely technical and economic grounds.

9.6 Similarly, the harmonisation of fiscal policies used to promote or penalise specific sources and uses of energy could be advantageous. A common model could be chosen based on the harmonisation of tax bases and procedures, without removing the freedom of each country to determine the individual rules to be followed in each category. This approach would eliminate fiscal competition, which is not desirable in the long term.

9.7 Finally, it will be necessary to guarantee the transparency and stability of the legal and regulatory frameworks. With this in mind, it would be advisable to prioritise specific projects, organised via the MEDA programme, to suitably prepare those responsible for drawing up and

applying the legislation. The wealth of experience of the countries of the European Union will enable a training and shared experience scheme to be chosen for each country that is best adapted to its specific needs. The training and twinning projects run by the European Institutions and national socio-economic partners and governments will be of particular importance in this respect

10. Development of a joint position in international bodies

10.1 In the light of recent world events, it is becoming increasingly clear that both the European Union and the countries of the southern Mediterranean must work together actively to promote a multipolar world in which consensus and respect for international law are upheld.

10.2 Given that the energy problem has a global dimension, that every consumer country needs a producer country, that for every country that reduces its energy consumption there is another ready to increase it, and that for every exporting and importing country another transports energy across its land or waters, it is indispensable for a clear position to be adopted in all international bodies.

10.3 The development of sustainable energy policies, based on rational energy use and encouraging renewables, will help to prevent climate change. The creation of new, safer infrastructure minimises the impact of much more hazardous methods of transport on the environment. By further developing the use of renewables and promoting the efficient use of water we are not only generating decentralised wealth but also preventing phenomena that lead to migration.

10.4 It would thus seem possible:

- to involve the countries of the Mediterranean in the Clean Development Mechanisms outlined in the Kyoto Protocol as far as possible;
- to establish a joint position within the IMO to push for the use of the Mediterranean Sea only by vessels that comply with the required safety conditions and are subject to uniform controls at all ports of that sea;
- to promote the use of renewable energy sources via adequate transfer of technology and the development of industrial activities at local level. Initiatives such as the Marrakech Declaration should ensure that all the countries of the Mediterranean participate in the Johannesburg Renewable Energy Coalition.

11. **Realistic priorities for the energy partnership**

11.1 As analysed under point 2.1, the existence of six objectives and 24 priority actions for the energy sector would seem ambitious. The Committee would strongly recommend further prioritising these. The following criteria could be used for this:

11.2 **Criteria for the definition of priorities in the energy partnership:**

- **Autonomy of the proposed measure:** Can the proposed measure be adopted on its own or does it require the adoption of another measure or action first?
- **Contribution to the partnership:** Does this measure have a primarily North-South dimension or is this dimension combined with a major impact on the South-South dimension?
- **Responsibility for implementation:** Does this measure or action have to be carried out or implemented solely by the public authorities or does it require private initiative participation? In the latter case, are there any firm declarations of interest from the private sector?
- **Cost effectiveness:** What impact will the proposed measure or action have on ordinary citizens in the short and medium term? Will the outlay by the public sector be adequately repaid in economic and social terms and will the results be visible to citizens?
- **Sustainability:** Are the proposed measures or actions self-sustaining or will they require regular financial top-ups or further regulatory action? In environmental terms, do these measures comply with the sustainability principles reaffirmed in Johannesburg?

11.3 The Committee does not of course regard itself as qualified to establish the priorities itself, but thinks that on the basis of these criteria the 24 priorities proposed by the energy ministers should be placed in various categories, thus avoiding an excessive dissipation of effort which prevents the success of this Euro-Mediterranean energy initiative.

12. **Conclusions**

12.1 Euro-Mediterranean cooperation in the energy sector is a key plank in both boosting overall energy supply security for the Mediterranean region and making the most of the energy resources of the southern Mediterranean countries, so that instead of merely a source of export revenue they become a mainstay of their productive economy.

12.2 Such cooperation provides a unique opportunity for creating joint infrastructure and projects between the countries of the southern Mediterranean themselves, thus fostering the concept of shared prosperity based on the joint exploitation of resources and use of territory for the transit of

these products or for the creation of interconnected energy networks which make it possible to develop integrated sub-regional energy markets.

12.3 Hence it is clear that **major progress** has been made on Euro-Mediterranean cooperation in the energy sector: obstacles have been identified, a set of priority actions has been adopted and governments have been made aware of the issues involved.

12.4 Nevertheless, it must be pointed out that the **obstacles to be overcome** are still considerable and centre around **the following four aspects**:

- **Effective harmonisation of the regulatory framework** and its administrative application, tailored to the priorities and different national situations, so that we have a genuine collective partnership and not ad hoc, bilateral actions.
- **Substantial expenditure** mainly provided by private capital and companies who first have to be guaranteed a stable legal framework effectively supervised by the public authorities.
- The traditionally weak regional cooperation between the countries of the southern and eastern Mediterranean.
- **Involvement of the people, especially around the southern and eastern shores of the Mediterranean**, explaining the projects and the overall results expected, so that the benefits for the population in general and for energy consumers can be seen and possible reservations overcome.

12.5 Effective harmonisation of the regulatory framework should focus on aspects such as reciprocal protection of investments, harmonisation of energy taxes geared towards environmental sustainability, agreements for the transit of energy products and ratification of the concept of services of general interest in the energy sector.

12.6 Nevertheless, the Committee regards it as unnecessary to concentrate in the short term on building up an internal energy market in the southern Mediterranean countries based on the present EU model and linked to the Union's own internal market. Although such an internal energy market may be a long-term objective, the EESC thinks that in the short term individual strategies need to be adopted tailored to the situation in each country or specific region. Such strategies should avoid all forms of fiscal and administrative discrimination, promote the objectives of a sustainable energy policy and not impede the principles of Euro-Mediterranean cooperation in the energy sector, especially with regard to free transit, openness to private initiative and non-discrimination on grounds of nationality.

12.7 Once the transparency and stability of the regulatory framework have been established, it will be much easier to ask the private sector to undertake projects previously

identified as of "common Euro-Mediterranean interest" and which will give a significant boost to south-south cooperation. This will first require the public authorities and institutions to fund the detailed studies needed for an economic and social assessment of the projects of common interest and a decision to be made on which of them, on account of insufficient profitability or high risk, may require public-sector support in the form of subsidies or loans. Finally, wherever possible other multilateral bodies such as the World Bank and the RDB should be involved. In this respect, the European Commission is currently revising further the planned trans-European energy network projects and hopes to include various south-south network initiatives.

12.8 A major effort is needed right now to impress on the people of the southern and eastern Mediterranean countries the necessity of framing energy policies which encourage the efficient use of energy and water and boost the use of renewable energy sources; they should be assured that energy will continue to be regarded as an essential service and subject to a public service obligation. Only when this objective is attained will it be possible to inform people that national energy surpluses can be used outside their country and hence that Euro-Mediterranean cooperation in the energy sector and in the development of infrastructure and production and distribution facilities is the appropriate means of properly exploiting these possibilities.

12.9 The EESC, through its links with civil society in these countries, can initially be instrumental in channelling this process which would later have to extend at local level to all economic and social players across society. To this end the EESC recommends the creation of a specific programme, within the framework of EUROMED, to disseminate these ideas and projects among national and local public administrations and the media, thus strengthening any training and twinning projects.

Brussels, 29 October 2003.

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