I

(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

474TH PLENARY SESSION HELD ON 21 AND 22 SEPTEMBER 2011

Opinion of the European Economic and Social Committee on 'The promotion of renewable energies and the European Neighbourhood Policy: the case of the Euro-Mediterranean region' (exploratory opinion)

(2011/C 376/01)

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On 28 January 2011 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty on the Functioning of the European Union, on

The promotion of renewable energies and the European Neighbourhood Policy: the case of the Euro-Mediterranean region

(exploratory opinion).

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 September 2011.

At its 474th plenary session, held on 21-22 September 2011 (meeting of 21 September), the European Economic and Social Committee adopted the following opinion by 164 votes to 2 with 9 abstentions.

1. Conclusion and recommendations: from cacophony to symphony

1.1 The European Economic and Social Committee strongly urges a return to peace in the countries of the Mediterranean and calls for a future of stability in the Euro-Mediterranean region.

1.2 Recent events in the countries of North Africa and the Middle East confirm that a 'laisser-faire' approach is no longer possible, and that a more sustainable future must be built, with personal well-being and social development at its core.

1.3 It is vital in this regard that renewable energies, solar energy in particular, should be promoted by means of regional cooperation that is geared to co-development.

1.4 The EESC welcomes the regional initiatives for large-scale renewable energy development in the Mediterranean (Dii, MSP, Medgrid, etc.) and strongly urge that these initiatives be set up rapidly, effectively and in a coordinated way.

1.5 In addition to these initiatives, the EESC calls for a 'New Green Deal' for the region, focusing on energy saving .and launching a radical overhaul of our patterns of consumption and production.

1.6 The Mediterranean offers considerable scope for energy and carbon savings. This hinges partly on technologies that should be promoted, and partly on new patterns of behaviour that should be encouraged. Improving energy efficiency is a crucial adjunct to the development of renewable energies.

1.7 The responsibility for effectively introducing a low carbon-consumption energy system for all the Euro-Mediterranean countries does not fall exclusively to the energy sector of each country. It requires robust regional solidarity and major financing as part of a win-win approach for the northern and southern shores.

1.8 Given the diversity of circumstances in the different countries in terms of available resources, the level of needs and greenhouse gas emission levels, the Mediterranean countries effectively bear shared, but differing, responsibilities. What we need, then, is a regional vision, expressed through robust strategies adapted to each country.

1.9 Programmes should be introduced at national level (such as legislation, tax incentives, and standards) to create the right conditions for promoting renewable energies. This should include a long-term programme geared to permanently abolishing harmful subsidies for fossil fuels.

1.10 We welcome the European Commission's initiative in rethinking its Mediterranean approach and advocating structured and reinforced cooperation in which renewable energies are a key element ([1]).

1.11 However we consider that this willingness to cooperate must swiftly be translated into initiatives and programmes. The EESC emphasises that any dialogue that is opened must, from the outset, include a section on the social aspects.

1.12 We repeat the call made by the EESC in March 2011 on *Energy supply: what kind of neighbourhood policy?* ([2]) backing the extension of the energy community (Energy Community of South East Europe, including the Balkan countries) to the southern Mediterranean countries, with the specific task of fostering energy efficiency, renewable energies, and network interconnections and interoperability.

1.13 Starting with the Maghreb countries, this community should incorporate a number of appropriate elements of Community legislation. In addition, it should be an objective of this new energy community to promote a new energy charter and a new protocol on energy efficiency and the development of renewable energies.

1.14 In this regard, the Committee also recalls the importance of setting up a social forum along the lines of that established in conjunction with the Energy Community of South East Europe. Developing renewable energies should not be limited to purely industrial projects.

1.15 It is the EESC's view that technical assistance geared to building up local expertise in the area of renewable energies and energy efficiency that can contribute to developing renewable energies is a necessity, as is south-south cooperation. Training needs in renewable energy technologies should be identified in advance and lead to a tailor-made Euro-Mediterranean action plan.

1.16 We strongly recommend providing increased support for research and development work in order to boost the profitability of renewable energy projects. Technology transfers could be carried out through a shared regional research and development platform including universities and research centres.

1.17 With this in mind, the EESC advocates the introduction of a Mediterranean energy Erasmus scheme, enabling students from the entire region (north, south, east and west) to receive training in renewable and sustainable energy-related techniques.

1.18 New measures to support and promote renewable energies need to be adopted. They should ensure that projects, including those referred to in Article 9 of the Renewable Energy Directive, are in financial balance ([3]).

1.19 The EESC supports the project to create a Euro-Mediterranean investment bank, together with the recent communications from the European Parliament and the Parliamentary Assembly of the Union for the Mediterranean in this regard.

1.20 The EESC considers that innovative and appropriate support mechanisms need to be specifically designed to support renewable energies. These mechanisms should be identified within a Euro-Mediterranean framework and should result in the launch of pilot projects supported by the Euro-Mediterranean investment bank, with the aim of moving towards a 'New Green Deal'.

1.21 It is also crucial that the liberalisation of trade in renewable energy-friendly goods and services be promoted in the course of trade negotiations.

1.22 The European Neighbourhood Policy (NEP) action plans represent a key tool for promoting national and regional energy objectives in bilateral relations.

1.23 The EESC would also point out that the new Emissions Trading Scheme (ETS) Directive ([4]) on carbon financing could jeopardise some funding for *projects launched in the southern Mediterranean* unless the Commission undertakes to open negotiations with third countries, as set out in the directive.

1.24 The launch of the Mediterranean Solar Plan (MSP) has clearly acted as a catalyst for a number of initiatives to facilitate the development of renewable energies that have been rolled out across the region, and this is to be welcomed. However, without sound coordination between these different initiatives – and between the institutions managing and supporting them (European Commission, UfM, etc.) – the results may be disappointing. EU technical assistance programmes for the southern countries and in support of these initiatives could help bring about the effective and harmonious introduction of renewable energies in the region, and turn the present cacophony into a symphony.

1.25 Where energy networks are concerned, decentralised solar energy production would provide an effective and economically viable solution in isolated areas lacking networks. It is particularly useful for large territories of low population density.

([1]) COM(2011) 200 final and COM(2011) 303 final.
([2]) OJ C 132, 3.5.2011, p. 15.
([3]) OJ L 140, 5.6.2009, pp. 16-62.
([4]) OJ L 140, 5.6.2009, pp. 63-87 (Article 11a(5)).

1.26 It would be advisable to establish an EU-level instrument for hedging against political risk in the southern Mediterranean countries (e.g. EU-backed bonds). It should also be ensured that in the future the Member States undertake to purchase a minimum amount of electricity from the southern countries.

1.27 Increased awareness among all stakeholders, including civil society, to the full range of initiatives is essential. National programmes to promote renewable energies could include publicity campaigns on the energy efficiency of renewables. Social networks and new information and communication technologies can provide significant support for this effort.

2. **Introduction**

2.1 The region has been experiencing strong economic growth and rampant urbanisation for a number of decades, especially around the shoreline. These trends are set to continue. The combined effect of these factors is that the Mediterranean has a fragile, deteriorating ecosystem ([5]).

2.2 The Mediterranean is marked by two types of glaring, major energy inequality: between the richer and more energy-hungry countries of the north and those of the south; and in terms of energy resources.

2.3 Although some progress has been made in the region, current energy trends are not sustainable. These trends must be reversed by taking concerted steps to avoid high carbon, energy-wasting development. Jobs can be created in new, growth niche areas such as energy efficiency, eco-construction, access to basic services, and renewable energy industries and technologies.

2.4 While there are successful examples of best practice, such as the introduction of a specific law on renewable energies in Algeria, and the completion of a number of principally wind and solar projects, mostly in Egypt, Morocco and Tunisia, current efforts to put them on a long-term footing and scale them up are unfortunately insufficient in most cases.

2.5 It must however be acknowledged that after a lengthy period of scepticism or indifference, renewable energy development in the Mediterranean is beginning to influence, to varying degrees, the practices of businesses, local authorities and states, and how cooperation is conducted.

3. **The energy outlook in the Mediterranean: potential and benefits of renewable energies and greater energy efficiency**

3.1 Energy dependency in the Mediterranean and the EU could increase significantly. In 2007, the regional energy dependency rate stood at 42 %. According to research carried out by the Mediterranean Energy Observatory (OME), by 2030 this rate should stabilise and may even fall back to 40 % (40 % for oil, 30 % for gas and 70 % for coal), while it will be higher in the northern countries, at 97 %. The Mediterranean Energy Observatory's alternative scenario, however, shows that this pressure could be lowered and the regional dependency rate brought down to 18 % by 2030. But even in this case, major disparities between countries will persist. The social and economic risks stemming from rising supply costs and the repercussions for the energy bills of countries, households and businesses would probably intensify sharply as a result.

3.2 Under any scenario, the CO_2 emissions produced by fossil fuel energy consumption in the region will exceed their 1990 level by at least 30 %. Moreover, in 2030, per capita emissions from the southern and eastern Mediterranean countries, although 40 % lower than those from the northern Mediterranean countries, could account for some 55 % of the Mediterranean basin's emissions, compared with 36 % in 2007.

3.3 A growing risk is emerging in relation to the region's worsening water deficit. Desalination, which has already developed in some countries, is almost inevitable, and this is likely to exacerbate tensions arising from the interdependence between water and energy.

3.4 It is legitimate to aspire to economic and social development, and energy is crucial to achieving this. This factor alone poses a serious threat to economic and social development, and not only in the most 'vulnerable' countries.

3.5 The new energy paradigm thus implies seeing the 'energy system' as encompassing not only the energy sector (supply) but also energy consumption (demand) and ensuring that it develops in such a way as to secure energy provision under the best possible conditions in terms of resources, economic and social costs, and local and global environmental protection. This brings new actors to the fore – businesses, communities, households, the construction sector, transport, industrial and agricultural production and the service sector.

3.6 The Mediterranean offers considerable scope for energy and carbon savings. Several reliable estimates show that, over the coming twenty years, a potential 20 % reduction in consumption could be achieved (and more if energy prices continue to rise).

3.7 Improving energy efficiency is a crucial adjunct to the development of renewable energies. It should be pointed out that energy efficiency and savings are predominantly dependent on action by citizens, business and workers to change their behaviour ([6]).

3.8 However, a series of obstacles – institutional, regulatory, technical and financial, or stemming from training and information issues – are hampering the development of this potential. It must be acknowledged that in most cases, renewable energies are less competitive than their conventional counterparts, particularly in the current context where external costs are not internalised.

([5]) EESC Information Report on *Climate change and the Mediterranean: environmental and energy challenges*, CESE 682/2009, 30 September 2009.

([6]) OJ C 318, 29.10.2011, p. 155.

3.9 To make up for these shortcomings, programmes should be introduced at national level aimed at creating the right conditions for promoting renewable energies, with the focus on national legislation to facilitate the development of renewables, tax incentives, and standards. Similarly, long-term national plans should be introduced, as part of the development of renewables, to permanently reduce or even abolish harmful subsidies for fossil fuels. These should take into account the situation of the most vulnerable population groups.

3.10 Likewise, a clear regulatory framework needs to be adopted, alongside new measures to support and promote renewable energies in a way which ensures that the projects under Article 9 of the Renewable Energy Directive are in financial balance.

3.11 A key aspect of renewable energy development is support for decentralised electricity generation, in particular solar generation, by means of appropriate legislation, financing and training.

3.12 Another major obstacle lies in the various stakeholders' perception of renewable energies. A drive to increase awareness among all stakeholders, including civil society, is essential. National renewable energy promotion programmes could include publicity campaigns focusing on both energy efficiency and the renewable energies to be developed.

4. **The energy/environment/cooperation issue in the Mediterranean: the regional dimension**

4.1 Given the diversity of circumstances in the different countries, the Mediterranean countries effectively bear shared, but differing, responsibilities. Responsibilities are shared when it comes to planning for a sustainable energy future, defining its main features and, together, laying down common foundations (resources, financing mechanisms, pooling of best practices, training, capacity-building, technology transfer, etc.). Responsibilities differ with regard to implementation: this will require the specific factors in each country to be taken into account (free of prior assumptions about technology). What we need, then, is a regional vision, set out in robust strategies adapted to each country.

4.2 The trends pointing to strong growth of energy demand in the region, the scale of the concerns with regard to sustainable socio-economic development, concerns relating to security of supply, and the need to move towards low-carbon economies to meet changing climate conditions only serve to underline the urgent need for a step change in the implementation of further policies on energy saving.

4.3 This challenge can only be met by embarking upon Euro-Mediterranean energy cooperation, focusing on a new energy system model that is compatible with sustainable development, with a view to meeting the needs of the present without compromising the ability of future generations to meet their own needs. At regional level, legislative harmonisation and the adoption of flexible instruments will be crucial to creating a competitive green energy market.

4.4 The EESC welcomes the emphasis that the Commission places, in connection with the ENP, on the potential for cooperation on producing and managing renewable energies, and its hope that cooperation in the energy sphere will be stepped up through increased dialogue with the Mediterranean countries.

4.5 The EESC however considers that this positive stance must swiftly be translated into initiatives and programmes aimed at promoting such cooperation. It emphasises that any dialogue that is opened must, from the outset, include a section on the social aspects so as to ensure that the development of renewable energies is part of a broader economic and social development plan. If this process is to be valid, greater importance must be given to the social partners. Similarly, civil society, broadly defined, together with the media must be involved in order to make sure that efforts made in pursuing the 'specific joint interests' of the countries of the north and south are embraced by their populations.

4.6 The EESC repeats the call made in its opinion of March 2011on *Energy supply: what kind of neighbourhood policy do we need to ensure security of supply for the EU?* ([7]) and supports the Commission's proposal to offer credible prospects for progressive and differentiated integration for the southern Mediterranean into the EU's internal energy market, and even establish a sort of 'energy community' covering the EU and the southern Mediterranean or extend the treaty establishing the energy community to those neighbours who have not yet joined it.

4.7 The EESC believes that it should be an objective of this new energy community to promote a new energy charter and a new protocol on energy efficiency and the development of renewable energies. In this regard, it also recalls the importance of setting up a social forum along the lines of that established in conjunction with the Energy Community of South East Europe (including the Balkan countries).

4.8 The EESC calls for a 'New Green Deal' for the region, focusing on energy saving and launching a radical overhaul of our patterns of consumption and production.

4.9 The question of financing is especially significant. In particular, the issue of political risk needs to be resolved in order to foster private financing. With regard to the Mediterranean Solar Plan, for example, it would be advisable to establish an instrument for hedging against political risk at EU level (e.g. EU-backed bonds).

4.10 The Committee supports the project to create a Euro-Mediterranean investment bank, together with the recent communications from the European Parliament ([8]) and the Parliamentary Assembly of the Union for the Mediterranean ([9]) in this respect. We call for this bank to be set up at the initiative of the European Investment Bank, and more specifically in partnership with the financial institutions of the south.

([7]) OJ C 132, 3.5.2011, p. 15.
([8]) EP Resolution of 17 February 2011 - P7_TC1-COD(2010)0101.
([9]) Recommendation of the Committee on Political Affairs, Security and Human Rights of the Parliamentary Assembly of the Union for the Mediterranean, 4 March 2011, Rome.

5. **Research, technology transfer, capacity-building, training, trade and civil society participation aspects**

5.1 The radical change in the energy paradigm, where primacy of supply is being replaced by primacy of demand, is transforming the relationship between the general public and energy systems. In this context, the Committee calls for networking between universities from each side of the Mediterranean and hopes that support will be forthcoming for initiatives enabling experiences and best practices to be shared between all relevant stakeholders, following the example of the Mediterranean Summer School on sustainable energy in the Mediterranean.

5.2 We strongly recommend increased support for research and development work, which, by encouraging technological innovation, can generate major productivity gains that are capable of raising the economic profitability of renewable energy projects to levels attractive to investors. Technology transfers between the two sides of the Mediterranean must be facilitated: this could be done as part of a joint regional research and development platform bringing together universities and research centres, and bringing together the various aspects of setting up and operating facilities.

5.3 With this in mind, the EESC advocates the introduction of a Mediterranean energy Erasmus scheme, enabling students from the entire region (north, south, east and west) to receive training in renewable and sustainable energy methods.

5.4 There are many mutually reinforcing arguments in favour of working with alternative scenarios and progressively putting the business/territorial/training partnership at the forefront of future sustainable energy development strategies in the Mediterranean.

5.5 It is the EESC's view that technical assistance geared to building up local expertise that can contribute to developing renewable energies is a necessity, as is south-south cooperation. Training needs should be identified in advance and lead to a tailor-made Euro-Mediterranean action plan.

5.6 Developing renewable energies should generate decent jobs, but will also require an initial and sustained training effort both regionally and interregionally. This can only be effectively achieved in the framework of structured social dialogue.

5.7 In order to promote renewable energies as part of ongoing and future trade negotiations, trade in renewable energy-friendly goods and services should be liberalised.

5.8 Moreover, the ENP action plans provide a key tool for promoting national and regional energy objectives in bilateral relations. The EESC urges the Commission to update the action plans so that the development of renewable energies enjoys brighter prospects. Care must therefore be taken to ensure consistency between the action plans regarding renewable energy.

5.9 It is important for civil society (NGOs, associations, citizens' organisations, trade unions, etc.) to be involved in programmes to promote renewable energies. The success of such programmes depends not only on public awareness but also on the fullest information possible in order to maximise mobilisation of public opinion and of all stakeholders.

6. **Regional initiatives to support the development of renewable energies**

6.1 *The Mediterranean Solar Plan (MSP): a catalyst for sustainable development in the region*

6.1.1 The main objective of the Mediterranean Solar Plan is to meet the energy needs of the southern countries and to transport part of the electricity they generate to European countries, a further key factor for the economic and financial profitability of the projects. Exporting green electricity to Europe is possible under Article 9 of the EU Renewable Energies Directive. Such exports do however depend on the existence of interconnections, and require the introduction of a specific regulation to prevent opportunistic behaviour or market distortion.

6.1.2 The MSP target is to install 20 GW of new capacity by 2020 generated from renewable resources (essentially solar and wind) and to develop north-south and south-south interconnections and electricity networks. Energy efficiency and technology transfer are at present seen as supporting measures: this is regrettable, in view of the potential and the challenges in the region, as emphasised above. Based on the Mediterranean Energy Observatory's forecasts for 2020, the MSP's objective would mean that additional new renewable capacity of some 11 GW would need to be installed under the 'laisser-faire' scenario, but only 1 GW under the alternative scenario. It would be desirable in this context for the Member States to undertake to purchase a guaranteed minimum amount of electricity from the southern countries in order to boost the project.

6.1.3 The MSP faces a dual problem: firstly, that of enhancing project profitability by exploiting local and export electricity purchasing prices and using concessionary resources, subsidies or carbon credits, and secondly, that of ensuring that the necessary finance is available, both from equity – which should be forthcoming if profitability is adequate and risks controlled – and from borrowing, initially from development finance institutions (EIB, AFD, KfW, EBRD, the World Bank, the African Development Bank and the Islamic Development Bank), and subsequently from commercial banks.

6.1.4 The MSP initiative extends beyond the bounds of cooperation as so far experienced. It will bring together the member states of the UfM, the European Commission, businesses, research centres and NGOs from the sector, as well as many public and private investors and financial institutions.

6.1.5 The EESC urges the European Commission to work closely with the UfM secretariat, which has a mandate to implement the MSP, and in particular the MSP Master Plan. A shared reference framework must be introduced in order to facilitate implementation of the Master Plan. In particular, a common approach should be adopted to key issues such as financing tools and technology transfer.

6.2 *Medgrid, a co-development project for electricity exchange in the Mediterranean*

6.2.1 As mentioned earlier, the main challenges include the need to complete and strengthen the electricity interconnection networks between countries across the Mediterranean, the only interconnection at present being that linking Spain and Morocco, with a transmission capacity of 1 400 MW. According to MEDELEC (a federation of all the electricity entities around the Mediterranean), the maximum transmission capacity that the network could attain on the basis of existing investment plans is around 5 GW. Consequently, achieving the aims of the Mediterranean Solar Plan will require a major effort to boost the capacity of interconnections both between the southern countries and between them and the northern shore.

6.2.2 Medgrid's aim is to devise a blueprint for a Mediterranean network by 2020, promote institutional and regulatory frameworks for electricity exchanges, evaluate the return on investments in network infrastructure, develop technical and technological cooperation with the southern and eastern Mediterranean countries, and promote advanced transmission technologies.

6.3 *Dii GmbH – Renewable energy bridging continents*

6.3.1 Dii is working to a longer timescale than the Mediterranean Solar Plan. Its basic premise is that by 2050 15 % of demand for electricity in European countries could be supplied by solar installations in the deserts of the southern Mediterranean countries. However, since its inception in 2009, Dii has shifted to a co-development objective focusing on the development of renewable energies in general and not only on solar energy and south-north exports. In practice, Dii has the same vision as the MSP, but over a longer timeframe and without quantified targets.

6.4 *Other initiatives*

6.4.1 Other initiatives should be mentioned: the EU's technical assistance project *Paving the way for the Mediterranean Solar Plan* to develop renewable energies in the region; European funding for the southern Mediterranean countries – the Neighbourhood Investment Facility (NIF) and the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) – that can be used to finance renewable projects; and the Commission Communication on *Energy infrastructure priorities for 2020 and beyond – A Blueprint for an integrated European energy network* (COM(2010) 677 final), which mentions both trading green electricity between south and north and the need to strengthen the interconnections that can facilitate such trade. A number of countries have also launched national plans, such as the Moroccan and Tunisian solar plans, each of them comprising a portfolio of national renewable energy development projects.

Brussels, 21 September 2011.

The President
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