



**EURO-MEDITERRANEAN
PARLIAMENTARY ASSEMBLY**



AD HOC COMMITTEE ON ENERGY, ENVIRONMENT AND WATER

REPORT

**Potential, requirements and opportunities for implementing the
Mediterranean Solar Plan
as part of the European Neighbourhood Programmes and the
European Union's projects for the Mediterranean**

presented by the rapporteur

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I. DRAFT RECOMMENDATION

The Ad Hoc Committee on Energy, Environment and Water,

- Having regard to the Joint Declaration adopted by the July 2008 Paris Summit for the Mediterranean and to the Conclusions of the Euro-Mediterranean Conference held in Marseilles in November 2008;
- Having regard to the Conclusions of the Euro-Mediterranean Energy Conference held in Limassol in December 2007 and to the priority action plan 2008-2013 therein adopted;
- Having regard to the Final Declaration adopted by the UfM Franco-Egyptian co-Presidency at the end of the Ministerial Meeting on Sustainable Development Projects in the Mediterranean region, held in Paris on 25 June 2009;
- Having regard to the Paris Conference on the Solar Mediterranean Plan, convened on 22 November 2008, where a very clear-cut strategy was laid down, involving a pilot phase, with an immediate Plan of Action comprising pilot projects to be launched under the Franco-Egyptian Presidency of the UfM, in order to test the regulatory, financial and institutional mechanisms put into place, to be completed by the end of 2010, and a large-scale development of renewable energy projects to be completed, ideally, by 2020, with the declared objective to achieve a 20 GW level of clean energy production through a mix of photovoltaic, solar concentration and wind power technologies, and to establish a Mediterranean Energy Ring;
- Having regard to the information supplied by the Franco-Egyptian co-Presidency and by experts from the DESERTEC Foundation during the Ad Hoc Committee's own meeting held in Vienna on 18 May 2009;
- Having regard to recent EU energy legislation and consultation documents, and more specifically to Directive 2009/29/CE on renewable energy sources and to the second energy policy Strategic Revision, published by the European Commission on November 2008;
 1. Welcomes the MSP operational model, where the implementation of the projects and the order of priorities for them will be decided by the UfM co-Presidency, but a pilot group of countries will ensure full consistency with the political equilibria in the area, and also that a number of core criteria are applied, such as a judicious mix of public and private investments, balancing the various technologies adopted case-by-case, and the existence of a project "bearer" to take full responsibility for progress as soon as the funding is available;
 2. Welcomes the commitment by the main financial institutions to guarantee the availability of substantial grants (able to cover a major part of the MSP start-up financial requirement);

3. Stresses that the main obstacles hampering the development of the market are due to the high costs of solar energy, which can only become profitable in the medium and long-term, and which must therefore be accompanied and sustained by an effective mix of public and private investment and fiscal incentive policies cutting across all the countries concerned, in both the production and consumption phases. Political intervention is therefore absolutely necessary both at the European level and in the individual UfM partner States, so that the existing and tested new technologies can be effectively incorporated into the market with the certainty of long-term planning;
4. Underlines that, as far as EU policies in the Mediterranean Region are concerned, the absence of one single instrument for the whole area (following the merger of the MEDA Programme into the ENP), replaced by action plans and strategic documents for each individual country, makes it by no means a foregone conclusion that there will be a linkage with supranational and cross-cutting projects like those envisaged within the UfM;
5. Asks, therefore, for an involvement of the European Commission (together with the pilot group) in the MSP pilot phase, in order to grant the necessary interpenetration between UfM clean energy projects and the ENP. The Commission, furthermore, could be able to agree, inside the association councils with the States on the south and east of the Mediterranean, on procedures for implementing the MSP which will guarantee both the security of the countries which will become clean energy producers, and of the ones which have invested in these energy sources and must be the natural beneficiaries of them;
6. Stresses that it always remains the responsibility of the European Commission, within the limits set by the Treaties (and sharply curtailed in the matter of energy supplies and combating greenhouse gases after the Lisbon Treaty has come into force), to study and draft legislation and regulations to accompany the MSP and ensure its full effectiveness in both the medium and the long term. More specifically, such legislation should aim at incorporating the MSP into the system provided by Directive 2009/28; at providing a single and certain regulatory framework to foster measures for encouraging investment in and the consumption of clean energy by the member States; at strengthening measures and budgetary items to promote clean energy and energy security, also when the financial perspectives are reviewed and revised;
7. Asks all Member States of the UfM, acting within a more certain legislative and regulatory framework, to adopt their own national policies for achieving a maximum of clean and renewable energies percentages, consistently with their own energy requirements, clarifying and quantifying, in that context, the procedures and the intensity of their commitment within the MSP.

II. EXPLANATORY STATEMENT

The Mediterranean Solar Plan (MSP) is one of the major projects around which political and economic cooperation between the European Union and its partners on the southern and eastern shores of the Mediterranean will hinge in years to come, and on which much of the credibility and effectiveness of the newly instituted Union for the Mediterranean will depend.

As the main Euro-Mediterranean energy meetings and conferences (from Limassol to the latest meeting in June in Paris) have shown, investment in renewable energy sources is a relevant medium and long-term response to meet both the energy supply crisis and to address the environmental sustainability scenarios and objectives laid down since Kyoto. The MSP is also an element that follows on from and completes the sectoral work of the European Union, taking the form of the measures set out in the energy-climate package, and more specifically:

- Directive 2009/28 on renewable energy sources, which authorises the Member States of the European Union, under certain conditions, to import green electric power from third countries in order to meet their national renewable energy development targets;
- the second energy policy Strategic Revision published by the European Commission in November 2008, placing the construction of a Mediterranean energy network among the six priority projects to guarantee Europe's energy security.

The MSP has been designed to be implemented in three stages:

- defining the objectives and preparing the Plan (completed at the Paris meeting in November 2008);
- a pilot phase, with an "immediate Plan of Action" comprising pilot projects to be launched under the Franco-Egyptian Presidency of the UfM, in order to test the regulatory, financial and institutional mechanisms put in place, to be completed by the end of 2010;
- the large-scale development of renewable energy projects to be completed, ideally, by 2020, to coincide with the timetable targets for reducing greenhouse gas quotas provided by Kyoto and reiterated by the European Council. The declared objective is to achieve a 20 GW level of clean energy production through a mix of photovoltaic, solar concentration and wind power technologies, and to establish a Mediterranean Energy Ring.

Our Committee carefully monitored the early developments of the Solar Plan, clearly identifying the potential and the problems. At the meeting in Vienna on 18 May this year, further useful information was gathered on progress made with the implementation of the Plan and the main issues that arose both when setting priorities and in the pilot phase.

At the present time, according to the information supplied by the Franco-Egyptian co-Presidency, 130 infrastructure projects, 5 projects for exporting part of energy output in Europe, and 20 energy efficiency projects have been designed. Implementation of these projects and the order of priorities for them will be decided by the co-Presidency, but a pilot group of countries will ensure full consistency with the political equilibria in the area and that a number of core criteria are applied, such as a judicious mix of public and private investment, balancing the various technologies adopted case-by-case (solar, wind power,

biomass) and the existence of a project "bearer" to take full responsibility for progress as soon as the funding is available.

The experts from the DESERTEC Foundation, around whose projects the Solar Plan has largely been modelled, made it clear that political intervention is absolutely necessary both at the European level and in the individual UfM partner states, so that the existing and tested new technologies can be effectively incorporated into the market by investment incentives and with the certainty of long-term planning. As already mentioned, the obstacles hampering the development of the market are due to the high costs of solar energy which can only become profitable in the medium- and long-term, and which must therefore be accompanied and sustained by an effective mix of public and private investment and fiscal incentive policies cutting across all the countries concerned, in both the production and the consumption phases.

Issues connected with the development of renewable energy sources, with particular reference to the Solar Plan, were taken up again and further developed at the Ministerial Meeting on Sustainable Development Projects held in Paris on 25 June 2009.

That meeting, as the final declaration of the Franco-Egyptian co-Presidency stated, reiterated the importance of energy security and the need for all the Member States of the UfM to address the increasing energy demand, as well as the absolute need to strengthen commitment to the production of clean energy and energy efficiency, as had been emphasised in the Limassol Ministerial Declaration on 17 December 2007 and the related Action Plan.

The ministers of the Member States of the UfM stressed that the Paris Conference on the Solar Mediterranean Plan convened on 22 November 2008, and the subsequent meetings of experts, had laid down a very clear-cut strategy, hinging around the development of projects for the production of energy from renewable sources and networks for energy transmission linking all the partner States, the development of energy efficiency projects, and the transfer of technology to, and the development of the potential and know-how in, the countries on the southern shore.

Two elements emerged from that ministerial meeting. Firstly, the main financial institutions guaranteed the availability of substantial grants (able to cover a major part of the MSP start-up financial requirement): the World Bank announced the institution of a Clean Technologies Fund of 750 million dollars, wholly dedicated to developing solar concentration energy projects in the Mediterranean, while the EIB and the French and German Development Agencies announced the joint establishment of a 5 billion euro fund to support MSP projects, and many private investors also reiterated their interest. It was also noted, once again, by many of the Delegations present, that there lacked a regulatory and institutional framework consistent with the commitment required.

It should also be noted that the Paris ministerial meeting (and the later meeting of UfM finance ministers) was the first opportunity for relaunching activities within the UfM after a long period of stalemate following the Gaza crisis. It was therefore around the issues of energy and the environment that dialogue between the UfM partners was able to be resumed, confirming the absolute centrality of these issues and of the major projects stemming from them.

The resumption of dialogue has nevertheless revealed a series of operational and management issues which ought to be dealt with in order to grant the success of the UfM and the completion of the partnership project that began in 1995 in Barcelona.

A strengthening is required with reference to the relations between the newly-instituted UfM organisms and the European Commission, which continues, and will continue, to manage the funding earmarked for the countries on the southern and eastern shores of the Mediterranean, both through the instruments provided by the European Neighbourhood Policy (ENP) and the main sectoral programmes (in this case, the programmes falling within the Energy Policies Strategy).

All the major projects set out in the Paris Declaration and reiterated in Marseille will take off more fully through the involvement of the European Commission, which had helped to identify the projects (they were presented for the first time in the Commission Communication " The Barcelona Process: a Union for the Mediterranean") and which, alone, can guarantee that linkage and complementarity with the main European Union's financial programmes, without which the effects would be likely to be substantially reduced, especially in terms of the supply industries and the spin-offs in all the partner countries as both clean energy producers and recipients.

It should be recalled in particular that under the ENP, the partner States on the southern and eastern shores of the Mediterranean have received relevant funding for the period 2007-2013 (mostly still unspent). The absence of one single financial instrument for the whole area (following the merger of the MEDA Programme into the ENP), replaced by action plans and strategic documents for each individual country, makes it by no means a foregone conclusion that there will be a linkage with supranational and crosscutting Projects like those being envisaged within the UfM. The Commission's involvement in the procedure of selecting projects in the MSP pilot phase could grant their organic incorporation into the measures being financed under the ENP. This is particularly the case, as the French experts realistically pointed out last February at the official presentation of the MSP in Brussels, because, both in the pilot phase and in the biennium 2010-2011, the implemented projects will not be able to develop more than 1 GW of new capacity, while the forecast balance of 19 GW will come from the gradual implementation of more broadly ranging projects for which it will certainly be easier to attract funds and investment from the private sector. The Commission, furthermore, in the context of the association agreements concluded with the States on the south and east of the Mediterranean, will be able to agree on the procedures for implementing the MSP which will guarantee both the security of the countries which will become clean energy producers, and of the ones which have invested in these energy sources already and must be the natural beneficiaries of them.

It always remains the responsibility of the European Commission, within the limits set by the Treaties (which have been sharply curtailed in the matter of energy supplies and combating greenhouse gases after the Lisbon Treaty has come into force), to study and draft legislation and regulations to accompany the MSP and ensure its full effectiveness in both the medium- and the long-term. This is a reference in particular to the organic incorporation of the MSP into the system provided by Directive 2009/28, particularly with Art. 9 on bilateral cooperation, the establishment of a single and certain regulatory framework to foster measures for encouraging investment in and the consumption of clean energy by the Member States (in compliance with competition and State aids rules), and

the further strengthening of measures and budgetary items to promote clean energy and energy security, also when the financial perspectives are reviewed and revised.

It will then be the responsibility of the Member States of the UfM, acting within a more certain legislative and regulatory framework, to draw on the policies provided by Directive 2009/28 to adopt their own national policies for achieving the clean and renewable energy percentages, consistently with their own energy requirements, clarifying and quantifying the procedures and the intensity of their commitment within the MSP, in that context.