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ANNEX

of the Commission Implementing Decision modifying Decision C(2013) 4391 on the ENPI  
Regional South Annual Action Programme 2013 – Part I

**Action Fiche for Sustainable Electricity for the Mediterranean**

**1. IDENTIFICATION**

Title/Number	Sustainable Electricity for the Mediterranean CRIS number: ENPI/2013/024-682		
Total cost	Total estimated cost: EUR 6 million Total amount of EU budget contribution: EUR 6 million.		
Aid method / Method of implementation	Project approach – Direct management procurement of services grants – direct award		
DAC-code	23010	Sector	Energy policy and administrative management

**2. RATIONALE**

**2.1. Summary of the action and its objectives**

In the context of the Euro-med objective of promoting sustainable energy, the project aims at providing support to the process of integrating the electricity markets (including the grids) in the Mediterranean and in particular in the Maghreb, with specific focus on renewable energy and energy efficiency. The project will contribute to enhancing sustainable development, the security of energy supply and the mitigation of climate change in the Mediterranean region.

The project, which will be implemented through the following 3 components, will:

- **Component 1.** Strengthen institutional co-operation between the Euro-Mediterranean Energy Regulators;
- **Component 2.** Support the role and mission of the Euro-Mediterranean Transmission System Operators in the integration of ENI south electricity markets, including the Maghreb market, and their gradual integration into the EU market;
- **Component 3.** Promote and support political dialogue in the region to foster integration of ENI south electricity markets, including the Maghreb market, and their gradual integration into the EU market,.

**2.2. Sector context**

Co-operation in the energy sector is a major element of the Euro-Mediterranean partnership. Secure, sustainable and competitive energy is a key element in achieving

stability and prosperity in the region. In this context the EU and its Southern neighbours have a shared goal and are crucial partners in developing the high potential of renewable energy in the Mediterranean, with the aim of enhancing energy security and energy efficiency by replacing finite and less environmentally friendly energy sources.

The development of sustainable energy in the region is also a flagship initiative of the UfM. One of the key priorities of the UfM identified in the 2008 Paris Declaration is the Mediterranean Solar Plan (MSP). The plan involves not only renewable energy policy, production and transmission, but also the promotion of energy efficiency supporting *inter alia* industrial development and job creation. It also aims to attain 20 GW of new energy generation capacity fuelled by renewable energy sources by 2020. A necessary condition to reach the objective is to develop a converging regulatory framework for the rules governing the electricity markets and the coordinated planning of infrastructures investments and harmonisation of technical rules for operation of interconnections.

The Regional Indicative Programme (2011-2013) for the Euro-Mediterranean Partnership under the European Neighbourhood and Partnership Instrument recognises sustainable development as a global challenge and highlights the region's need to face the threats of climate change and environmental degradation. It identifies the 20% energy efficiency objective as one of the relevant priorities (priority 3 B) for Euro-Med energy co-operation. The aims of the planned actions include protecting the environment, securing safe and environmentally sustainable energy supplies, developing renewable energy sources around the region and improving energy efficiency in different sectors of the economy. The Joint Communication of the European Commission and of the High Representative of the EU for Foreign Affairs and Security Policy "A partnership for democracy and shared prosperity with the Southern Mediterranean"<sup>1</sup> set an ambitious objective for co-operation on energy between the EU and the Southern Neighbourhood, namely a gradual move towards an EU-Southern Mediterranean Energy Community. There is clear potential to build an EU-Mediterranean partnership in the production and management of renewables, in particular solar and wind energy, and in having a common approach to energy security. Joint investments in renewable energy in the Southern Mediterranean, in line with the EU's 2050 decarbonisation scenario, could offer the possibility of a new partnership provided that the right market perspectives are created for trade in electricity. This objective was echoed in the Communication of the European Commission "Renewable Energy: a major player in the European energy market".<sup>2</sup> That Communication identified key issues to be addressed in order to facilitate investment in renewable energy projects in the region, such as appropriate additional instruments for the protection of investments, the creation of suitable legal and economic conditions for regional trade in electricity and preferential connection of renewable generation plants to the grid and access to transmission infrastructure.

The Joint Communication of the European Commission and of the High Representative of the EU for Foreign Affairs and Security Policy "A new response to

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<sup>1</sup> COM(2011) 200 final of 8 March 2011.

<sup>2</sup> COM(2012) 271 of 6 June 2012.

a changing Neighbourhood"<sup>3</sup> sets out the possibility of integrating the energy markets of the Southern Mediterranean and of the EU based on a new, differentiated and gradual approach. This approach allows each partner country to develop its links with the EU in line with its own aspirations, needs and capacities, with a view to establishing closer economic integration and stronger political co-operation between the whole region and the EU over time. In that context, the Joint Communication of the European Commission and of the High Representative of the EU for Foreign Affairs and Security Policy "Supporting closer cooperation and regional integration in the Maghreb"<sup>4</sup>, elevated the long-standing energy co-operation between the EU and Maghreb to a front-running partnership and proposed concrete steps towards a Western-Mediterranean electricity area by 2020-2025.

The Communication of the European Commission "Increasing the impact of EU Development Policy: an Agenda for Change"<sup>5</sup> also indicated that the EU should offer technology and expertise as well as development funding with a focus on three main challenges: energy security, climate change (access to low carbon technologies) and access to secure, affordable, clean and sustainable energy services. It clarified that initiatives such as the UN High Level Group on Sustainable Energy for all should be taken into account.

### **2.3. Lessons learnt**

A number of EU-funded regional projects have already provided substantial support for the development of sustainable energy in the region, have allowed an extensive knowledge base to be built regarding the prerequisites for reaching the objectives set out above, and have provided a good foundation to build on. Examples of such projects are the project on the Enhanced Integration and the Improved Security of the Euro-Mediterranean Energy Market (MED-EMIP), which ended in April 2012, and the project on the Integration of the Maghreb Electricity Markets (IMME), which ended in 2010.

Following the termination of the IMME project, Algeria, Morocco and Tunisia decided at the ministerial conference of Algiers in 2010 to set up an action plan for the 2010-2015 period. This action plan sets out medium- and long-term measures aimed at harmonising the electricity related legislative and regulatory framework of the three Maghreb countries in order to create an integrated electricity market across the Maghreb countries and, gradually, with the EU market. Following this formal engagement, a technical committee was established and started operating, but progress towards the Maghreb electricity markets has been slow.

National initiatives, especially for the development of National Energy Efficiency Action Plans (NEEAPs), are reinforced by the Arab Energy Efficiency Directive which has been developed jointly by the League of Arab States, the MED-EMIP project, the on-going project on Energy Efficiency in the Construction Sector in the Mediterranean (MED ENEC II) project and Regional Centre for Renewable Energy and Energy Efficiency (RCREEE) on the basis of EU Directive 2006/32/EC on energy end-use efficiency and energy services.

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<sup>3</sup> COM(2011)303 of 25 May 2011.

<sup>4</sup> COM(2012) 36 of 17 December 2012.

<sup>5</sup> COM(2011) 637 of 13 October 2011.

On-going EU support for co-operation between the Euro-Mediterranean Energy Regulators (MEDREG) has helped to demonstrate the importance of regulation as a tool for creating the conditions for regional trade in electricity.

The association of Mediterranean transmission system operators (MED-TSO), created in April 2012, brings together 17 members from both shores of the Mediterranean. Its mission is to coordinate the planning of infrastructures investments and the harmonisation of technical rules among partner countries, contributing to an integrated Mediterranean electricity system, security of power supply and efficient operation of the regional electric system. Its recently approved 3-year work program reflects the above mentioned priorities and is in line with the EU strategic approach to the region in the energy sector. Together with MEDREG, MED-TSO is considered a major key player in the process towards the electricity markets integration in the region, not least in the Maghreb.

The on-going project 'Paving the way for the Mediterranean Solar Plan' has identified the existing regulatory, legislative and policy gaps and the steps necessary to improve conditions for the increased use of renewable energy across all Southern Mediterranean Partner Countries.

In line with these efforts and based on the mandate given by the Paris Declaration<sup>6</sup>, the UfM Secretariat has carried out extensive work to establish a regional framework for the Mediterranean Solar Plan. Based on relevant studies and experience, and taking into account the diversity of national energy policies, programmes and priorities, the MSP Master Plan provided policy recommendations to develop the integration of markets, shared targets and methodology, common tools and cross-Mediterranean infrastructures. Although the UfM Energy Ministerial Conference held in December 2013 supported the relevance of the MSP and its key actions, no formal endorsement was achieved.

#### **2.4. Complementary actions**

Regional energy co-operation between the EU and the Southern countries of the European Neighbourhood Policy (ENP) is well established. The following EU-funded projects are relevant:

- Support for co-operation between the Euro-Mediterranean Energy Regulators (2010-2013, EUR 1.1 million);
- Energy Efficiency in the Construction Sector (MED-ENEC II) (2009-2013, EUR 5 million);
- Paving the way for the Mediterranean Solar Plan (2010-2013, EUR 4.6 million);
- Cleaner, energy-saving Mediterranean cities (2012-2015, EUR 4.6 million).

These projects seek to develop capacity in sustainable energy at regional level through technical assistance. To ensure consistency and harmonisation with these projects, close co-operation will be ensured. A regional approach in this sector is likely to strengthen and multiply the projects' effects in the region.

In addition, linkages between the support given under the project and the European Commission's Neighbourhood Investment Facility (NIF) are to be sought.

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<sup>6</sup> The joint Declaration of the Paris Summit for the Mediterranean, in 13 July 2008, tasked the Secretariat to explore the feasibility, development and creation of a Mediterranean Solar Plan.

- EU resources under NIF have allowed the EIB, together with several other European financing institutions (Agence Française de Développement (AFD), Kreditanstalt für Wiederaufbau (KfW), Spanish International Co-operation Agency for Development) (AECID) and European Bank for Reconstruction and Development (EBRD)) to set up a specific facility to prepare infrastructure projects related to the Solar Plan and to facilitate the mobilisation of funds for investments. This ‘MSP Renewable Energy and Energy Efficiency Project Preparation Initiative’ (MSP-PPI) will accelerate the implementation and financing of renewable energy, energy efficiency and related grid connection projects, by providing technical assistance to speed up project preparation for eligible investment projects.
- NIF funding has also allowed the EBRD with other European financing institutions including KfW to set up the Southern and Eastern Mediterranean Regional Sustainable Energy Finance Facility (Phase 1 — Morocco and Jordan) to finance investments in energy efficiency and small renewable energy projects by industry, SMEs, agribusiness, commercial services and the residential sector.

Consistency between the project and the 2030 goals of the Sustainable Energy for All (SE4All) initiative will be ensured (ensuring universal access to modern energy services; doubling the rate of improvement in energy efficiency; and doubling the share of renewable energy in the global energy mix).

Synergies will also be sought with other relevant bilateral EU-funded projects on energy efficiency and renewable energy such as the environment and energy programmes in Tunisia and Lebanon.

The development of synergies will also be sought with other relevant regional or bilateral EU-funded projects promoting industrial development, job creation and small and medium sized enterprises.

## **2.5. Donor co-ordination**

It is intended to establish close co-operation with international financial institutions and other donors within the framework of the programme, in order to avoid overlapping activities but mainly to join forces to enhance sustainable energy in the region. For example, it is envisaged to develop a working partnership with the European Investment Bank (EIB), which has decided to expand the proportion of investments in energy efficiency and renewable energy sources in its energy portfolio.

Similarly, partnerships with EU Member States’ financing institutions (such as KfW, AFD, etc.) and with the World Bank, which is increasingly involved in the field (e.g. through its concentrated solar power (CSP) programme), will be considered.

The close collaboration with the UfM Secretariat will be continued.

## **3. DETAILED DESCRIPTION**

### **3.1. Objectives**

The overall objective of the project is to step up European support to the process of integrating the electricity markets and grids in the Mediterranean and in particular in

the Maghreb, with specific focus on renewable energy and energy efficiency, thereby enhancing regional and national sustainable development, the security of energy supply and the mitigation of climate change.

Building on the acquis and lessons learned from on-going and previous programmes, the purpose of the project is to:

- strengthen institutional co-operation between the Euro-Mediterranean Energy Regulators, as a key vehicle for sustainable progress in this area;
- promote integration of ENI south electricity markets, including the Maghreb market, and their gradual integration into the EU market.

### **3.2. Expected results and main activities**

#### **Result 1: Support to Co-operation between Euro-Mediterranean Energy Regulators (MEDREG)**

Progress is achieved in promoting a transparent, stable and harmonised regulatory framework in the whole Southern Mediterranean Region, fostering market integration and infrastructure investments, boosting consumer protection and enhancing energy co-operation.

##### **Activities:**

- Actions fostering an increase of the number of independent regulators in the region, especially in Maghreb;
- Support to the preparation of appropriate regulatory measures to produce, stock and trade green electricity at national and regional level;
- Actions to enhance the international and regional roles of the MEDREG Association.

#### **Result 2: Integration of the ENI south electricity markets, in particular but not exclusively the Maghreb, and their gradual integration into the EU market**

Progress is achieved in modernising, strengthening, expanding and integrating the electricity networks and markets in the ENI region. This is achieved through support to reforms of the legislative and regulatory framework, promotion of projects of common Mediterranean interest, exchange of information on best practice. These reforms facilitate and stimulate the transmission and trading of electricity, including electricity generated from renewable energy sources (RES) within the region and, in the longer term, between the region and the EU.

##### **Activities:**

- Support to the implementation of MED-TSO 3-year work program, focusing on the following activities:
  - (a) Definition of common technical rules (grid codes) for the operation of cross-border transmission infrastructure
  - (b) Development of a common methodology for joint planning of network interconnectors
  - (c) Development of specific concrete reference projects

- (d) Sharing of technical and economic information through a dedicated database
- (e) Human resources development
- Support to implementation of the steps towards market integration defined in the Algiers Action Plan, including such actions as the establishment of a regional electricity trading platform;
- Organisation of an EU-Mediterranean and a EU-Maghreb Energy Councils to discuss progress made;
- Support for the establishment of a common approach and related co-ordination activities, for the appointment of a Special Coordinator and for the preparation of a specific legal framework (intergovernmental agreement);
- Support for the establishment of an Euro-Mediterranean Energy Dialogue, to foster an in-depth technical dialogue with all stakeholders to discuss successive steps towards market integration.

### **3.3. Risks and assumptions**

#### **Assumptions**

Energy security and sustainable growth remain a high priority for the ENPI South Partner Countries.

All stakeholders are interested in the project, play an active role and perform their institutional functions in the field. Partner governments will show the political will and commitment required to bring about appropriate legislative and regulatory reforms.

Regional and national security and stability will be maintained or reinforced.

No major policy changes will be announced that would contradict the existing policy framework underpinning the objectives and plan for the implementation of this project.

Energy producers and distributors have an important economic role and are consequently not neglected at the political level.

#### **Risks**

Politically, the developments in the region from early 2011 onwards have brought new opportunities but also uncertainties for future regional co-operation. This could potentially have an impact on the implementation of the project. A deterioration in relations between Arab countries and Israel would also make regional meetings with participation by all countries difficult.

#### **Mitigations of risks**

At the moment of writing this action fiche, EU co-operation with Syrian governmental authorities has been suspended. The Commission shall assess in the future the possibility of involving the Syrian authorities in the implementation of actions relating to the new project. The political instability and/or deteriorating security situation in Syria will be assessed prior to the implementation of the project in order to confirm the feasibility of a) engaging with stakeholders and b) implementing the activities.

### **3.4. Cross-cutting issues**

Environmental sustainability and climate change adaptation concerns are at the heart of the project as its focus is to support renewable energy and energy efficiency.

Following the recommendations of the ‘European consensus on development’ (2006/C 46/01) the project will try to encourage gender equality, equal opportunities and the participation of women in all its activities, by encouraging the participation of qualified women.

Through the focus on regulatory reform, good governance will be a positive side effect of the project.

### **3.5. Stakeholders**

The main target groups of the programme are the national administrations, energy regulators, transmission system operators and energy-related agencies from the ENPI South partner countries. In application of Article 27 of the Regulation (EC) N° 1638/2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument<sup>7</sup>, Mauritania is eligible for activities under this project, especially with those relating to Maghreb.

The stakeholders go beyond this group to include also any concerned private sector actors and ultimately all energy users.

Other institutional or non-governmental players in the region such as the Regional Centre for Renewable Energy and Energy Efficiency (RCREEE), Observatoire Méditerranéen de l’Energie (OME) and national energy research centres will also play a relevant role in the project.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Financing agreement**

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

### **4.2. Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.2 and 4.3 will be carried out, is 36 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

### **4.3. Implementation components and modules**

#### **4.3.1. Grant: direct award (direct management)**

(a) Objectives of the grant, fields of intervention, priorities and expected results

The grant contract with MED-TSO will serve to support financially the implementation of the association's "Mediterranean Project", a 3-year work plan to promote the integration of the Mediterranean energy systems (Component 2).

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<sup>7</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32006R1638:EN:NOT>.



The MED-TSO was created in April 2012 with 12 constitutive members from the north, eastern and south shores of the Mediterranean and counts today with 17 members<sup>8</sup>.

It was modelled on the European association of TSO (ENTSO) with the aim of promoting the integration of regional electricity systems, by coordinating the development plans and the operation of the grids in MED-TSO countries, encouraging the integration of their electricity systems and the implementation of common criteria and harmonized, transparent and non-discriminatory rules of access to and usage of grids.

Since its creation, MED-TSO has been a very active player in the energy sector in the region: it has contributed, together with other relevant stakeholders, for the preparation of the Mediterranean Solar Plans (MSP), it has established in October 2013 a cooperation agreement with MED-REG to design common rules to access and use of electrical interconnection systems at a regional level and has prepared the First Master Plan of Mediterranean electricity interconnections for the next 10 years (2013).

MED-TSO's "Mediterranean Project"<sup>9</sup>, whose implementation will be co-funded by the EU via this grant contract, is a 3-year work plan that proposes to achieve the following results:

- To develop and share a set of basic rules of the operation of interconnections that will allow the electricity exchanges among interconnected grids and encourage the financing of related investments (in generation and transmission).
- To plan and develop the Euro-Mediterranean Electricity Reference Grid for the coordinated development of interconnections.
- To prepare demonstration projects (definition of rules, procedures, organizational and operational schemes, evaluation of costs and benefits) to work as reference cases for validating a set of rules and procedures replicable at regional level.
- To develop a database with relevant information on networks data, macroeconomic drivers of energy supply and demand, market conditions (electricity services, main projects on transmission, production and market, historical series, etc.).

#### (b) Justification of a direct grant

A direct grant to MED-TSO is being proposed for the following reasons:

1. MED-TSO is a *de facto* monopoly, since it is the only association operating in the field of activity in the geographical area to which this grant relates – it is the only regional organisation that gathers TSOs from the Mediterranean region (whose members are natural monopolies in their countries).
2. MED-TSO owns a technical competence, by virtue of its members, that no other association or entity in the concerned geographical area owns.

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<sup>8</sup> Albania, **Algeria**, Cyprus, **Egypt**, France, Greece, **Israel**, Italy, **Jordan**, **Libya**, Montenegro, **Morocco**, Portugal, Slovenia, Spain, **Tunisia**, Turkey.

<sup>9</sup> Presented by MED-TSO at the Energy Ministerial Conference in December 2013.

(c) Eligibility conditions

Not applicable.

(d) Essential criteria and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call, design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum rate of co-financing for this grant is 80% of the total eligible costs of the action.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full financing is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

3<sup>rd</sup> trimester 2014.

**4.3.2. Procurement (direct management)**

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Support to Co-operation between Euro-Mediterranean Energy Regulators (Component 1)	Services	1	4 <sup>th</sup> trimester 2013
Organisation of high level political dialogue meetings (Component 3)	Services	1	3 <sup>rd</sup> trimester 2014

**4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management**

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

#### 4.5. Indicative budget

The budget allocated for this action is EUR 6 million, to be allocated under two service contracts (EUR 3 million for component 1 and EUR 0.6 million for component 3) and a directly awarded grant contract (EUR 2.4 million for component 2). Beneficiary countries and EU Member States are encouraged to contribute to the project through in-kind contributions through expertise or the provision of facilities.

<b>Component</b>	<b>Amount in EUR</b>	<b>Third party contribution (indicative, where known)</b>
<b>Component 1:</b> strengthen institutional co-operation between the Euro-Mediterranean Energy Regulators		
Procurement (direct management)	EUR 3 million	
<b>Component 2:</b> support the role and mission of the Euro-Mediterranean Transmission System Operators in the integration of ENI south electricity markets, including the Maghreb market, and their gradual integration into the EU market		
Direct grant with MED-TSO (direct management)	EUR 2.4 million	
<b>Component 3:</b> promote and support political dialogue in the region to foster integration of ENI south electricity markets, including the Maghreb market, and their gradual integration into the EU market		
Procurement (direct management)	EUR 0.6 million	
Total	EUR 6.0 million	

#### 4.6. Performance monitoring

For the project, key indicators of achievement will be the number of specific analytical reports provided by MEDREG; the number of proposals made and/or new laws, regulations and procedures adopted in the field of renewable energy and energy efficiency; the number of technical meetings held for the integration of the Maghreb electricity market and similar indicators.

The project will be monitored according to standard procedures. Project monitoring will be based on periodic assessment of progress and delivery of reports.

#### 4.7. Evaluation and audit

Expenditure incurred will have to be justified, as part of the obligations of the contracted parties in the framework of the implementation of this project. Independent consultants will be entrusted with the evaluation of the results achieved

and these results will be subject to external audits if necessary. Such evaluations and audits will be funded from other sources than the project budget, since no financial commitment will be possible once the validity of this Decision has expired ('N+1' rule will apply).

A project steering committee with participation of observers and composed of experts from relevant European Commission Services, EU Delegations and other relevant stakeholders such as the UFM Secretariat will provide policy orientations and guidance for a coherent implementation of the programme. The Euro-Mediterranean Energy Forum will also be regularly informed of progress in the implementation of the programme.

A mid-term and a final project evaluation will be carried out to assess project performance, achievements and impact.

#### **4.8. Communication and visibility**

Communication and visibility will have to be justified, as part of the obligations of the contracted parties in the framework of the implementation of this project.

Since the EU visibility guidelines must be followed by all EU funded projects, the project will work out a specific communication strategy for each component and specific activities will be undertaken dedicated to communication and visibility. Implementation of the communication strategy in the Southern neighbourhood partner countries will be also carried out in collaboration with the relevant EU delegations, when appropriate.

Constant communication should be maintained between project partners, the European Commission and the ENPI Info Centre ([www.enpi-info.eu](http://www.enpi-info.eu)).