



CENTER for MEDITERRANEAN
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مركز التكامل المتوسطي



EU Sustainable Energy Week 2018- Policy Conference

Round Table

THE MEDITERRANEAN AT THE FOREFRONT OF THE ENERGY TRANSITION

Organised by the European Commission-DG Energy
and the Center for Mediterranean Integration

Brussels, 7 June 2018

Highlights

EU Sustainable Energy Week (EUSEW) is the annual flagship event uniting policy makers, authorities, industry, stakeholders, NGOs, researchers and academia in the European sustainable energy sector. EUSEW debates energy policy, creates networking opportunities and spreads the word about the latest developments on the sustainable energy market and in research. The theme of the EUSEW2018 Policy Conference was 'Lead the clean energy transition' and, with over 60 sessions and 2,500 participants, was rich in debates and sharing of innovative solutions.

The Center for Mediterranean Integration (CMI) and the European Commission (EC)-DG Energy organized a Round Table on 7 June at 14:00 "The Mediterranean at the Forefront of the Energy Transition" to contribute to the dialogue on the creation of an integrated Mediterranean energy market and to discuss what is needed to fully exploit the assets of the Mediterranean region to tackle the climate change challenge and be at the forefront of the energy transition.

The Round Table follows on a technical workshop jointly organized by the EC-DG Energy and the CMI in Brussels in April 2018 on the "Clean Energy for All European Citizens" Package and its implications for southern Mediterranean countries. Building on the workshop outcome, the Round Table participants were asked to address such questions as: What policies are needed in a context of declining renewable energy costs? How to ensure a reliable and efficient power system taking into account the growing share of variable generation? What is the role of storage and other options to increase power system flexibility? What interconnections are needed to facilitate regional market integration in support of the energy transition?

Two hundred EUSEW participants registered for the Round Table to hear the views of the panelists and participate in the discussion that followed. The Round Table was moderated by Silvia Pariente-David, Senior Advisor to the CMI, and included the following panelists: Giulia Marchesini (Senior Partnership Specialist at the CMI), Hans Van Steen (Advisor to Dominique Ristori, Director General for Energy—and presenting on his behalf), Mustapha Bakkoury (President of Masen, the Agency for Sustainable Energy in Morocco), Cyril Dewaleyne representing Jorge Borrego (Acting Secretary General for the Union for the Mediterranean), Gabriel de Lastours (Associate Banker at the European Bank for Reconstruction and Development) and Waleed Alsuraih (Lead Energy Specialist at the World Bank).

The highlights of the presentations and discussions were the following:

- The Mediterranean region is equipped with tremendous assets to tackle the climate change challenge and be at the forefront of the energy transition: some of the best solar resources in the world (as well as excellent wind potential), low rainfall and vast areas available in the southern shore to install mirrors, qualified labor to install renewable energy power plants, and technology know-how and industrial capabilities to manufacture components locally—therefore contributing to economic growth, job creation and prosperity. However, to succeed the energy transition and achieve a high-level of renewable energy penetration, countries in the region need to increase the flexibility of their power systems, and one way to increase flexibility is through regional electricity market integration. The CMI Mediterranean Forum on Electricity and Climate Change was created to raise awareness on the benefits of Mediterranean energy market integration to support the transition to a low-carbon economy in Europe and MENA and to disseminate knowledge on the issues to be addressed to successfully achieve the Mediterranean energy market integration as a vector of integration in the region.
- The ‘Clean Energy for All Europeans’ (CE4ALL) Package aims at creating a secure and integrated EU energy market to implement the Energy Union (including commitment under the Paris Agreement). However, energy security does not stop at the EU borders and the Package can also help non-EU countries move forward on the energy transition path. The CE4ALL Package intends to make the EU energy sector more stable, more competitive and more sustainable. With a view to stimulating investment in the clean energy transition, the package has three main goals: putting energy efficiency first, achieving EU global leadership in renewables and delivering a fair deal for consumers. The share of renewable energy is projected to grow to 50% in the power sector by 2030, with an aim of full decarbonization by 2050. Therefore, an increased and fast deployment of renewable energy sources and interconnectivity is a must for economic, societal and political reasons that also lead to conflict prevention. Cross-border exchanges appear like an obvious part of the solution to improve the security of supply and the stability of the networks. Above all, a wide regional market is a key element to facilitate the management of renewable energy, since it provides the flexibility necessary to balance a system characterized by high penetration of intermittent renewable sources.
- The Package is undergoing extensive discussions during the trilogue negotiations that are currently taking place. Energy Council meetings scheduled for 11 and 13 June are expected to bring a resolution on such issues as the overall renewable energy target for 2030, the Guarantee of Origin system, the degree of cross-border opening in renewable auctions or the mechanism of the gap-filling, in case any Member State misses its target.
- Even if the CE4ALL Package has an internal EU dimension, it however entails obvious implications for EU’s neighbor countries. As the history of the EU shows, a fully integrated internal market brings about better services at lower costs and generates growth and job creation. For these reasons, some degree of integration of electricity networks and markets could be pursued and achieved also among Southern-Mediterranean countries and between the Southern and Northern rims of the Mediterranean Sea. The EU is fostering bilateral and regional cooperation on numerous matters, and in particular on energy and climate action. Electricity and gas interconnections are at the heart of the dialogue, as well as technology transfers, innovative approaches and access to finance. To reinforce its actions, the Commission has launched a new instrument: the EU’s External Investment Plan (EIP).
- Morocco is ideally positioned to become a clean energy hub serving markets in Europe, the Mediterranean from West to East and even Africa to the South: it has been a frontrunner of the energy transition since 2010 (a position strengthened during COP22), it has established a strong reputation as a leader in solar energy (and a strong player in wind as well), it is the closest African country to Europe and it is the articulation between the Mediterranean Sea and the Atlantic Ocean. To fully capture the benefits of regional market integration (taking advantage in differences in consumer behavior and in time differences

to have access to solar energy for most of the day) and ensure access to all to the best renewable energy resources, the country is actively supporting regional market integration through the Sustainable Energy Trade (SET) Roadmap initiative. During COP22 in Marrakech, a declaration was signed by 4 European Ministers (Spain, Portugal, France, Germany) and the Moroccan Minister of Energy, in the presence of the European Commissioner for Energy and Climate and the Secretary General of the Union for Energy Mediterranean, to jointly prepare a roadmap for carbon-free electricity trade between Morocco and Europe. This Declaration is a very concrete example of what can be done to strengthen Mediterranean integration and cooperation in order to support the rise of renewable energies. Other similar initiatives are now popping up in other parts of the Mediterranean, or other countries may join the SET Roadmap. SET Roadmap work in progress will demonstrate the benefits of increased electricity trading from renewable energy sources and identify the investments, processes and procedures needed to enable unhindered sustainable electricity trade between the five signatories. The objective is to have a roadmap agreed and ready for implementation by COP24.

- In the framework of the Union for the Mediterranean (UfM), three thematic platforms have been launched to provide a permanent high-level forum to discuss Mediterranean energy policy issues, enhance energy cooperation in the region and exchange on best practices, such as the integration of electricity markets (UfM Regional Electricity Market Platform), the promotion of renewable energies and energy efficiency (UfM Renewable Energy and Energy Efficiency Platform) and the progressive development of a Euro-Mediterranean gas market (UfM Gas Platform). In the field of climate action, the UfM Climate Change Expert Group is the regional dialogue platform to enhance cooperation. The UfM is also promoting the deeper involvement of the private sector through the Annual Energy and Climate Business Forum. Finally, the UfM is actively working to increasing climate finance flows, by conducting a study on the state of climate finance in the region.
- EBRD is one of the International Financial Institutions that are already partnering with the EIP. EBRD is not only involved in financing solar and wind projects in countries such as Morocco and Egypt, but also in capacity building to ensure that the legal and regulatory framework is established to attract the private sector to invest in renewable energy projects in the region. For instance, it is helping countries migrate from FiTs to auctions, establish appropriate policy and regulatory frameworks to encourage the development of storage by the private sector or set-up appropriate frameworks for corporate PPAs (for instance to the cement or mining sectors). One aspect that was highlighted in several presentations is the need to develop South-South cooperation and knowledge exchange.
- The World Bank, the Arab League and their partners launched the Pan-Arab Regional Energy Trade Platform(PA-RETP) in 2016 to establish the building blocks for cost-effective unhindered electricity and gas trade among Arab countries. Integrating the electricity markets of Arab countries would create the second largest Power Pool in the world after ENTSO-E. PA-RETP focuses on enabling and realizing the benefit of commercial electricity trade in MENA to access lower-cost and cleaner electricity supply options: it would not only reduce investment and operating costs considerably (in part thanks to increased utilization of power generation assets), but would also enable a higher share of renewables, by increasing power system flexibility. PA-RETP pricing mechanism shifts “regional connections for emergency operations” to bilateral trade where all participants benefit from engaging in trade. Moreover, the Maghreb and Mashreq countries have the potential to serve as gates for bulk electricity trade with Europe (once the interconnection between Egypt and Saudi Arabia is commissioned in 2022), as the PA-RETP establishes the building blocks to exploit that potential.