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CMI Mediterranean Forum on Energy and Climate Change Insights #4



The purpose of this bulletin is to inform members of the CMI Forum on Energy and Climate Change on the energy and climate policy developments in the region and on their implications for the creation of an integrated Euro-Mediterranean energy market. In particular, it reviews EU policy developments, and related legislative changes, that are relevant to Southern and Eastern Mediterranean Countries (SEMC). Under the EU Green Deal, the cooperation mechanisms are likely to become even more important to help the EU achieve carbon neutrality and the SEMC achieve their energy transition objectives.

Although the COVID pandemic continues to be a threat to health, affect the day-to-day life of populations and disrupt the economies, countries in the Mediterranean region are busy designing recovery packages where the energy transition figures prominently. Renewable energy markets are booming and hydrogen strategies are being formulated. And the Mediterranean is likely to become a very active hub for trade of green electrons and green molecules.

The new EU agenda for the Mediterranean highlights the need for cooperation and energy market integration

In January 2021, the Council on Climate and Energy Diplomacy “Delivering on the external dimension of the European Green Deal” had invited the Commission to reinforce further the external dimension of the European Green Deal, to make appropriate capacity available and to strengthen – together with the Member States – coordination and information exchange through, among others, the EU Green Diplomacy Network and the Energy Diplomacy Expert Group. In that context, the Commission has proposed, in February 2021, a new policy framework "**Renewed partnership with the Southern Neighborhood - A New Agenda for the Mediterranean**"¹.

The New Agenda for the Mediterranean proposes a range of actions in the following areas: (1) human development, good governance and the rule of law; (2) resilience, prosperity and digital transition; (3) peace and security; (4) migration and mobility and (5) green transition: climate resilience, energy, and environment. Under the energy heading, the Communication states that cooperation is essential, given that “Europe and the Mediterranean region have interdependent, complementary and converging energy interests”. The following priorities have been identified for cooperation: (i) massive deployment of renewable energy and clean hydrogen production; (ii) a stronger interconnection of electricity systems; (iii) energy efficiency efforts and measures, with a focus on buildings and appliances and (iv) policies to address fugitive methane emissions from fossil fuel production, transport and use. The Commission proposes to mobilize up to € 7 billion for 2021-2027 under the Neighbourhood, Development and International Cooperation Instrument (NDICI), which could help activate private and public investment of up to €30 billion in the SEMC.

The Communication is accompanied by an **Economic and Investment Plan (EIP)**², for its Southern Neighborhood partners to address the many challenges facing the region. The EIP identifies some flagship activities, among which technical and financial cooperation in Morocco to accelerate green hydrogen production, intensification of international cooperation in Egypt on energy research and technologies, support of the Jordan national energy strategy, in particular as regards the energy-water-food nexus, and support to Algeria to diversify its economy and international energy trade away of hydrocarbons.

This new EU Agenda for the Mediterranean will set the framework within which the SEMC can benefit from various EU programs to support the transition to low-carbon economies and will shape the future integrated EU-Mediterranean energy market.

A ‘Fit for 55’ package is being prepared by the European Commission in support of the climate law now approved by the Council and Parliament

¹ European Commission, JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, Renewed partnership with the Southern Neighbourhood A new Agenda for the Mediterranean, JOIN (2021) 2 final

² European Commission, JOINT STAFF WORKING DOCUMENT Renewed Partnership with the Southern Neighbourhood Economic and Investment Plan for the Southern Neighbours, SWD (2021) 23 final

The Climate Law, the legislative instrument to reach the objective of climate-neutrality for the EU by 2050 and GHG emission reductions of at least 55% by 2030 compared to 1990, was provisionally agreed by the European Council and the European Parliament on 21 April after lengthy difficult negotiations. The European Commission was also asked to propose an intermediate climate target for 2040, if appropriate, at the latest within six months after the first global stock-taking carried out under the Paris Agreement. The agreement still needs formal approval from parliament and national governments.

The European Commission is now preparing for July 2021 a suite of policies and new legislation, known as the ‘Fit for 55’ package, to reach the climate targets. The package supersedes the “Clean Energy for All Europeans” package and will be even more comprehensive and voluminous, as it is to include all policy and regulatory measures necessary to implement the EU Green Deal. The elements that are the most important for SEMC³ are:

- revision of the Renewable Energy Directive which, according to an early draft, will insist on cross-border cooperation and include certification systems for renewables and low-carbon fuels
- revision of the Gas Directive and Regulation (the Hydrogen and Decarbonised Gas Package), which cover among other things the technical, economic and regulatory aspects of hydrogen trade
- proposal for a Carbon Border Adjustment Mechanism (CBAM)--as part of the broader industrial strategy-- an instrument likely to have substantial implications for energy trade between SEMC and the EU
- revision of the Energy Taxation Directive

In the revised Industry Strategy, to be issued soon by the Commission, the different industrial sectors are encouraged to prepare indicative voluntary roadmaps to contribute to the climate neutrality objective. In addition, cooperation between Member States (MS), as well as with third countries, is urged through Important Projects of Common European Interest (IPCEI), pooling resources for strategic technologies (such as for example batteries or hydrogen). The multi-country projects can have access to the recovery funds (see next section).

The COVID recovery funds can support the energy transition in the Mediterranean

The budget of € 672.5 billion for the Recovery and Resilience Facility (RFF) has received formal approval by the European Parliament and the Council of Ministers and the allocation by country of the grant part of the Fund (€ 312.5 billion) has been published. Some Mediterranean countries are the largest recipient of those funds, with € 69.5 billion allocated to Spain, € 68.9 billion to Italy and € 39.4 billion to France. Their recovery plans are also the greenest, with programs for green hydrogen, low-carbon transport and energy efficiency in public buildings.

According to the guidance provided by the Commission, 37% of the recovery funds have to be devoted to the green transition (see Insights # 2) and MS are encouraged to propose flagship investment and reform initiatives that address issues that are common to all MS, need significant investments, create jobs and growth, such as for example acceleration of renewables development or low-carbon transport. Several plans include green hydrogen roadmaps.

Greece plans to use the RFF and the Just Transition Fund to support coal phase-out and renewable energy scale-up. Greece has requested the assistance of the European Investment Bank to manage

³As was done when the “Clean Energy for All Europeans” package was first issued, the CMI Forum for Energy and Climate Change will publish a report on the consequences of the ‘Fit for 55’ package for the Mediterranean.

part of the € 17.8 billion it was allocated under the RFF. The World Bank is supporting some Mediterranean countries to prepare their recovery plans, such as for example Cyprus⁴.

Renewal of Connecting Europe Facility approved by European Parliament and Council

Implementation of the TEN-E framework is progressing further with the renewal of the Connecting Europe Facility (CEF), with an expanded budget (€33.7 billion for 2021-2027), which was provisionally approved by the Council and the European Parliament on 12 March. Approval is now needed by EU ministers and then by the Parliament as a whole.

The program aims to contribute to further integration of the European energy market, improving the interoperability of energy networks across borders and sectors, facilitating decarbonisation, and ensuring security of supply. Funding will also be available for cross-border projects in the field of renewable energy generation. A key element of CEF 2 is the introduction of Projects of Mutual Interest (PMI) between EU MS and third countries that demonstrate their mutual benefit and contribution to the EU overall energy and climate objectives in terms of security of supply and decarbonization. However, clarification is required on application for PMIs of the cross-border cost allocation (CBCA) procedure, as it affects the eligibility for CEF funding. It is possible that CEF eligibility might be restricted to third-countries applying the EU *acquis communautaire* and that have concluded an agreement with the EU on CBCA.

New interconnection projects, which are being announced in the Mediterranean, may benefit from the new CEF program, such as the EuroAsia interconnector-- linking Greece, Cyprus and Israel through a 1000-2000 MW transmission cable—for which a MoU was signed in March 2021.

The Commission has started work on the Hydrogen and Decarbonised Gas Market Package

The overall objective of the new Gas Package is to ensure a suitable gas market framework to support the achievement of the increased EU climate ambition of 55% greenhouse gas emissions reduction by 2030 on the path to carbon neutrality by 2050. This entails revision of the Gas Directive 2009/73/EC and Regulation (EC) 715/2009, as well as possibly some new regulations specific to hydrogen⁵, to facilitate the uptake of renewable and low-carbon gases, while ensuring integrated, liquid and interoperable EU internal gas markets. This will translate into legal measures, where appropriate, some of the actions proposed across several initiatives, strategies and plans under the European Green Deal, notably the Energy System Integration Strategy and the Hydrogen Strategy.

The external dimension of the European Green Deal, such as the Green Agenda for the Western Balkans, is addressed in the Package, as the initiative has important implications for the supplies of renewable and low carbon gases from third countries which can help to reach the EU Green Deal objectives. The initiative may also facilitate the development of hydrogen transport infrastructure in third countries that is aligned with the EU regulation from early stages, thus avoiding stranded assets, facilitating the energy transition and enabling connection to the EU market for imports of green and low-carbon hydrogen into the EU.

⁴ “Building Back Better” in Practice A Science-Policy Framework for a Green Economic Recovery after COVID-19- *Theodoros Zachariadis, Elias Giannakis, Constantinos Taliotis, Marios Karmellos, Nestor Fylaktos, Mark Howells, Will Blyth and Stephane Hallegatt*- World Bank Policy Research Working Paper 9528, January 2021

⁵ For more on regulation of hydrogen networks see the ACER-CEER White Paper “Regulatory Treatment of Power-to-Gas European Green Deal”, Regulatory White Paper series (paper #2) relevant to the European Commission’s Hydrogen and Energy System Integration Strategies, 11 February 2021

As a first step, the Commission published a [roadmap](#) on the inception impact assessment to collect feedback from stakeholders. A public consultation was launched on 26 March 2021 and is open until 18 June. SEMC stakeholders that wish to influence the content of the package can contribute to this consultation by filling-in the [online questionnaire](#).

In the meantime, countries around the Mediterranean are active preparing hydrogen roadmaps and strategies⁶ and alliances are being built. Morocco and Portugal signed an agreement, in February, to cooperate on green hydrogen development, entailing among other things the preparation of a joint roadmap on hydrogen and ammonia.

The CMI Mediterranean Forum on Energy and Climate Change is a learning and discussion platform among countries, international organizations, regulators and electricity companies. Launched in 2015 by the Center for Mediterranean Integration, it aims to support the transition to a low-carbon economy in the Mediterranean by disseminating knowledge on how to successfully achieve low carbon growth in the Mediterranean and raising awareness on the benefits of Mediterranean energy market integration.

Program [page](#) // [Video](#) // [Briefing paper](#) on “Clean Energy for All Europeans” Package: Implications and Opportunities for the Mediterranean (English, French, Arabic)

The Center for Mediterranean Integration (CMI) is a multi-partner platform where development agencies, Governments, local authorities and civil society from around the Mediterranean convene in order to exchange knowledge, discuss public policies, and identify the solutions needed to address key challenges facing the Mediterranean region. Members of the CMI include Egypt, France, Greece, Italy, Jordan, Lebanon, Morocco, Palestinian Authority, Spain, Tunisia, Provence-Alpes-Côte d'Azur Region, City of Marseille, the European Investment Bank and the World Bank Group, and the European External Action Service (EEAS) as an observer.

Web: www.cmimarseille.org; Facebook: CMI Marseille; Twitter: @cmimarseille

⁶ For a presentation of the principles for setting up national strategies and a review of some national strategies, see the proceedings of the third webinar of the CMI - World Bank Joint Webinar Series “Knowledge Exchange on Green Hydrogen for the Mediterranean Region” [\[Webinar\] Hydrogen in the Mediterranean: National Policies and Strategies in Selected Countries | CMI \(cmimarseille.org\)](#)