



This action is funded by the European Union

**ANNEX I**

of the Commission Implementing Decision on the Annual Action Programme – Part 1 – for 2019 in favour of the ENI South countries

**Action Document for Promoting the Energy Transition in the Southern Neighbourhood**

**ANNUAL PROGRAMME**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation No 236/2014.

<b>1. Title/basic act/ CRIS number</b>	Promoting the Energy Transition in the Southern Neighbourhood CRIS number: 2019/041-946 financed under the European Neighbourhood Instrument
<b>2. Zone benefiting from the action/location</b>	Southern Neighbourhood countries: Algeria, Egypt, Israel <sup>(1)</sup> , Jordan, Lebanon, Libya, Morocco, Palestine <sup>(2)</sup> , Tunisia and Syria <sup>(3)</sup> .  In duly justified cases, specific activities may involve:  Countries from the Union for the Mediterranean and Countries and territories neighbouring Neighbourhood South countries <sup>(4)</sup> :  Bosnia and Herzegovina, Albania, Montenegro, Turkey and Mauritania.  Africa: Mali, Niger, Chad, Sudan and South Sudan, but also the Horn of Africa and in particular Somalia;  Middle East: Iran, Iraq, Saudi Arabia and more broadly the Arabian Peninsula (Gulf Co-operation Council and Yemen).
<b>3. Programming</b>	Programming of the European Neighbourhood Instrument (ENI) 2014-

<sup>(1)</sup> See Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards on [http://eurlex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C\\_.2013.205.01.0009.01.ENG](http://eurlex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2013.205.01.0009.01.ENG).

<sup>(2)</sup> This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

<sup>(3)</sup> Co-operation with the Government of Syria suspended since 2011.

<sup>(4)</sup> In accordance with Article 16 of Regulation (EU) N° 232/2014 (ENI Regulation).

<b>document</b>	2020. Regional South Strategy Paper (2014-2020) and Multiannual Indicative Programme (2018-2020)			
<b>4. Sustainable Development Goals (SDGs)</b>	<u>Main SDG:</u> Goal 7 on "Affordable and clean energy" <u>Secondary SDG:</u> Goal 13 in "Climate action"			
<b>5. Sector of intervention/ thematic area</b>	Promoting connectivity and the sustainable use of natural resources	DEV. Assistance: YES		
<b>6. Amounts concerned</b>	Total estimated cost: EUR 14.9 million Total amount of European Union (EU) contribution: EUR 12 million			
<b>7. Aid modality and implementation modality</b>	Project Modality <b>Direct management</b> through grants			
<b>8 a) DAC code(s)</b>	23110 Energy policy and administrative management (42%) 23183 Energy conservation and demand-side efficiency (42%) 23210 Energy generation, renewable sources – multiple technologies (16%)			
<b>b) Main Delivery Channel</b>	20000 Non-Governmental Organisations and Civil society			
<b>9. Markers (from CRIS DAC form) <sup>(5)</sup></b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	x
	Aid to environment	<input type="checkbox"/>	x	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment <sup>(6)</sup>	<input type="checkbox"/>	x	<input type="checkbox"/>
	Trade Development	x	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	x	<input type="checkbox"/>
	Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>

<sup>(5)</sup> When a marker is flagged as significant/principal objective, the action description should reflect an explicit intent to address the particular theme in the definition of objectives, results, activities and/or indicators (or of the performance / disbursement criteria, in the case of budget support).

<sup>(6)</sup> Please check the Minimum Recommended Criteria for the Gender Marker and the Handbook on the OECD-DAC Gender Equality Policy Marker. If gender equality is not targeted, please provide explanation in section 4.5.Mainstreaming.

<b>10. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Global Climate Change Alliance + (GCCA+) Climate Change Mitigation: Supporting low carbon development
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**SUMMARY**

The overall objective of the programme is to support partner countries in the development and implementation of sustainable medium to long-term energy policies. Enhancing energy security while fostering the transition to a low carbon economy is a priority, thereby contributing to more stable, efficient, competitive and climate-resilient socioeconomic contexts.

This programme will promote regional cooperation leading to:

- sound regulatory frameworks conducive to the efficient and sustainable production, distribution, trade and consumption of energy. Particular focus will be put on a gradual decreasing/removal of energy subsidies;
- the development of an enabling environment for increased public and private investments in sustainable energy, in particular for (i) the deployment of renewable energy sources (from large-scale to small-scale decentralised levels) and (ii) energy efficiency plans in the main energy-consuming sectors of the economy (with a specific focus on buildings and appliances).
- the integration of the electricity systems, including through the coordinated planning and development of electricity transport (and storage) infrastructures;
- the gradual embedding of digitalisation in all energy-relevant market segments (gas exploration, transport and distribution, electricity grids, demand side management in industry, buildings and transport sectors);
- the diversification of energy sources, suppliers and routes in particular for natural gas (including Liquefied Natural Gas), considering the recent gas discoveries and exploitation in the Eastern Mediterranean region.

This programme proposes a collaborative partnership between countries’ governments and national agencies, by sharing best practices in designing and implementing evidence-based energy policies and measures. The private sector and international financing institutions will be closely associated in the framework of its implementation. This program will provide an opportune format of mutually beneficial cooperation for sustainable energy sector developments both at regional and national levels.

Finally, it will contribute to reaching the objectives of the Union for the Mediterranean’s Ministerial Declaration on Energy (of December 2016), and determining new ambitious commitments for regional cooperation on energy to be formally adopted at the next Ministerial meeting (and Declaration) in December 2020.

## **1. CONTEXT ANALYSIS**

### **1.1 Context Description**

Access to sustainable and modern energy is one of the key preconditions for countries to achieve sustainable development, reach the Sustainable Development Goals and eradicate poverty. In particular, energy poverty is considered as one of the root causes of migration, as it drives people to try to pursue better livelihoods elsewhere.

The EU has set as a priority (within the EU and with its neighbour countries) to unlock the potential of the energy sector, by pursuing three interlinked key objectives. Addressing the lack of access to sustainable energy, increasing energy efficiency and renewable energy generation, and contributing to the global fight against climate change in line with countries' Nationally Determined Contributions (under the Paris Agreement).

The clean energy transition is a vector of economic opportunities, job creation and a strong incentive for dynamic research and innovation. This is particularly important for the Southern Neighborhood region, which overall endures fragile political and socioeconomic situations and is the world's most exposed area to climate change. Moreover, as energy demand increases at vertiginous rates (between 5-8% annually, on average), energy systems require substantial improvements in terms of efficiency and functionalities and in most of the countries, electricity tariffs remain subsidised (and therefore non cost-reflective), which imposes heavy fiscal burdens that undermine macroeconomic stability.

Furthermore, this region suffers from a very low degree of integration that prevents taking advantage of opportunities in particular on domains where a global approach would obviously bring significant benefits, such as energy and climate change. Better-interconnected gas and electricity networks embedding modern digitalisation technologies, coupled with energy efficiency and increased uses of untapped renewable energy sources would enhance the region's energy diversification and resilience.

Increased energy resilience and availability in the partner countries would bring benefits to the lives of women and men, boys and girls by reducing their energy dependence, consumption and expenses. It would also ultimately serve EU interests in terms of diversification of energy sources and routes, and potential for new market opportunities for the European energy business industry.

At political level, the ministers in charge of energy from the 43 Members of the Union for the Mediterranean (UfM) have agreed in December 2016 to step up regional co-operation in order to deliver a secure, affordable and sustainable energy supply. They decided that policy dialogue and concrete initiatives would be carried out under three UfM energy platforms covering the priority policy areas, namely the UfM Regional Electricity Market Platform (UfM REM Platform), the UfM Renewable Energy and Energy Efficiency Platform (UfM REEE Platform) and the UfM Gas Platform. This Action supports the policy dialogue and initiatives in this framework.

## 1.2 Policy Framework (Global, EU)

The European Neighbourhood Policy (ENP) was launched in 2004, to support and foster stability, security and prosperity in the countries closest to the EU's borders. Since then, radical changes have occurred in a large number of the Southern Neighbourhood countries, and the EU's own interdependence with its neighbours has been placed in sharp focus. In particular, energy crises, and tense situations with some of its main providers, have underlined the EU's need to work more with its neighbours on energy security, including diversification of energy sources, routes and suppliers.

Within the European Union, Member States are committed to developing a sustainable, competitive, secure and decarbonised energy system. The Energy Union and the Energy and Climate Policy Framework for 2030 establish ambitious Union commitments to reduce greenhouse gas emissions further by at least 40 % by 2030 as compared with 1990, to increase the proportion of renewable energy consumed, to make energy savings in accordance with Union level ambitions <sup>(7)</sup>, and to improve Europe's energy security, competitiveness and sustainability. Inspired by these dynamics, the EU is also committed to strengthen its energy dialogue with neighbourhood countries on energy security, energy market reforms and the promotion of sustainable energy.

Moreover, the EU has naturally <sup>(8)</sup> linked energy and climate actions within its Energy Union Strategy as well as its external action. This was recognised when the 2015 review of the ENP <sup>(9)</sup> introduced for the first time climate action as a thematic priority, together with energy security under a single heading. This approach was reiterated in March 2017, when the European Council recalled that the EU's climate and energy objectives are mutually reinforcing, and called for strengthening synergies between EU climate and energy diplomacies <sup>(10)</sup>. The Council underlined the need for partnership with third countries to support the implementation of the Paris Agreement, the Energy Union Strategy and the 2030 UN Agenda for Sustainable Development, and to foster the linking of the Nationally Determined Contributions (NDCs) with national development strategies. The EU climate and energy objectives should also be actively included in partnerships with the International Financial Institutions, Development Banks, and other financial institutions as well as within other multilateral organisations and fora.

Finally, the European Commission proposal to step up climate mainstreaming to at least 25% in the next Multiannual Financial Framework demonstrates that the EU budget would continue to act as a catalyst to leverage sustainable private and public investment and channel EU support for the clean energy transition to where it is most needed. It is also a key part of EU's credibility in advocating for net-zero greenhouse gas emissions in 2050.

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<sup>(7)</sup> The revised energy efficiency directive establishes an energy efficiency headline target of at least 32.5 % savings at EU level by 2030. The revised renewables energy directive sets a binding target of at least 32 % energy from renewable sources at EU level by 2030.

<sup>(8)</sup> Energy generation produces over two thirds of greenhouse-gas emissions, and increased energy efficiency measures would significantly reduce total consumption.

<sup>(9)</sup> Joint communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Review of the European Neighbourhood Policy" (SWD(2015)500; 18 November 2015).

<sup>(10)</sup> EU Council conclusions on "Implementing the EU Global Strategy – strengthening synergies between EU Climate and energy diplomacies and elements for priorities for 2017" (6981/17 ; 6 March 2017).

### **1.3 Public Policy Analysis of the partner country/region**

From the perspective of energy security, partner countries' economic stability mainly depends on a sustainable balance between their energy consumption and the profile of their energy supplies or production. Most of the region's countries are vulnerable to over-dependence on specific suppliers, and therefore have a vital interest in increasing their sovereignty by diversifying their sources of supply, while embedding modern digitalisation technologies.

In addition, all Southern Neighbour countries have ratified the Paris Agreement. The comprehensive climate mitigation and adaptation strategies put forward in their Nationally Determined Contributions (NDCs) have become a formal part of their national policy frameworks. These national plans include specific objectives and actions (including the need for enhancing resilience of infrastructures to climate change's impact, in key sectors like energy, water, and solid waste), and form a useful basis to determine priority support areas – including for energy cooperation, as the mitigation objectives are largely based on actions in the energy sector.

In terms of energy consumption, it is estimated that the Southern Mediterranean region will undergo a 40% increase in its overall energy demand by 2040. Partner countries must therefore alter their energy trajectory through robust implementation of NDCs, implying massive energy efficiency measures and deployment of renewable energy.

Encouraged by incentives, forward policies and technological progress, renewables (and especially non-hydro renewables) are expected to exhibit robust growth trends in the coming decades. The Southern Neighbourhood benefits from a huge – untapped - potential of natural resources (sun and wind mainly) that, thanks to substantial progress in setting up stable regulatory frameworks, is attracting more and more investments in large-scale infrastructures. The increased use of renewables in the countries' energy mix will be pivotal.

Energy efficiency shall also play a decisive role in both the end-use sectors and power generation. This subsector historically lagged behind in most of the countries' national policies, due to a priority given to increasing the total energy supply through renewables, and limited developments and enforcement of appropriate energy efficient regulatory frameworks. Addressing energy efficiency is however becoming more of a priority, as witnessed by each country's adoption of its National Energy Efficiency Action Plan (NEEAP) in the past years, and mainly due to the high share of energy consumption from sectors such as buildings (40% in average) and transport.

Furthermore, the energy mix will remain fossil fuel based, and oil demand will continue to increase, particularly for transport fuels. However, recent massive gas discoveries in the Levantine Basin have further promoted the natural gas alternative, being less climate-harmful and more efficient than oil. Gas developments (including in its liquefied form) have therefore become more of a priority in national energy policies, as witnessed by the January 2019's sub-regional initiative (led by Egypt with Israel, Palestine, Jordan, Cyprus, Greece and Italy) to set up an intergovernmental "Eastern Mediterranean Gas Forum".

### **1.4 Stakeholder analysis**

Following the Paris Agreement, most of the Southern neighbor countries have increased attention to strengthening the skills and resources of their public administrations responsible for energy-related policies (mainly the Ministries of Energy and national agencies). This dynamic was commended by the donor community and the private sector (among others), considering the key importance of sound, efficient and transparent governance structure, and regulatory frameworks that help to attract foreign and domestic investments. This Action aims at accompanying the endeavors of these national administrations, as direct beneficiaries of the

action, through specific capacity building, training programs and exchanges of experiences that will in particular promote gender equality. Sex-disaggregated data could possibly be produced on this element.

The private sector is involved as projects promoter, equipment providers, energy service companies, from domestic and international investors to energy operators (generation, transmission, distribution). This Action will indirectly support the domestic and European private sector, by improving the business environment and fostering more attractive business opportunities, mainly through enhanced regulatory frameworks, relevant options to address market failures and clear signals for switching towards digitalized energy systems.

The Action will also partially and indirectly benefit Southern Mediterranean municipalities, by promoting at national levels the key role that local authorities play in developing and implementing Sustainable Energy and Climate Action Plans (SECAPs).

Other relevant stakeholders benefitting directly or indirectly from this Action, include energy regulators and transmission system operators, International Financial Institutions ("IFIs"), the civil society and regional authorities. Finally, the population of partner countries shall also benefit from positive outcomes of this program in their daily energy supply and consumption.

## **1.5 Problem analysis/priority areas for support**

Countries from the Southern Neighbourhood region have shown interest in increasing cooperation on energy, but so far the implementation of their key sector reforms remains uneven for political, economic and social reasons. In particular, energy prices remain heavily subsidised in most countries, which does not favour much progress as regards energy intensity. Similarly, the involvement of non-state actors (including local and regional authorities), civil society and the private sector varies considerably from one country to another. Civil society organisations dealing specifically with energy matters are very rare, moreover with extremely few women-led initiatives.

In this context, the three UfM energy platforms, under the co-ordination of the UfM Co-Presidency, represent appropriate structures for organizing and supporting systematic dialogue and exchange of experience among UfM members.

National public authorities from Southern Neighbourhood countries are key stakeholders. These are not limited to energy ministries: given the transversal dimension of energy consumption (concerning all sectors of the economy), authorities in charge of cross-sectoral or inter-ministerial coordination have an increasingly important role to play in driving the energy reforms.

The EU will therefore offer cooperation and promote:

- sound regulatory frameworks conducive to the efficient and sustainable production, distribution, trade and consumption of energy, while particularly focusing on a gradual removal of energy subsidies;
- the creation of an enabling environment for increased public and private investments in sustainable energy, in particular for (i) the deployment of renewable energy sources (from large-scale to small-scale decentralised levels) and (ii) energy efficiency plans in the main energy-consuming sectors of the economy (with a specific focus on buildings and appliances).

- the integration of the electricity networks, including through the coordinated planning and development of electricity transport (and storage) infrastructures;
- the gradual embedding of digitalisation in all energy-relevant market segments (gas exploration, transport and distribution, electricity grids, demand side management in industry, buildings and transport sectors);
- the diversification of energy sources, suppliers and routes, in particular for natural gas (including Liquefied Natural Gas).

The issues of comprehensive and attractive regulatory frameworks and facilitated access to finance will particularly be mainstreamed in all activities of this Action, being identified by all energy stakeholders as the main bottlenecks of opportune and sustainable energy developments in the Mediterranean region. As regards climate finance in particular, various existing sources of funding will be taken into account including the Green Climate Fund <sup>(11)</sup>. Innovative approaches will be sought with international financial institutions and multilateral development banks as well as private finance, in order to make finance flows consistent with the needs for implementing energy efficiency and renewable energy projects that contribute to lowering greenhouse gas emissions and support climate resilient development.

Finally, this Action will consider all possible synergies with climate-related actions in associated sectors such as water, food, waste management, thereby contributing to fostering the “nexus” approach.

## 2. RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Political instability within some of the partner countries, preventing a regional focus on energy and climate mitigation actions	H	Adoption of a progressive or variable projects' approach
Limited willingness of partner countries to cooperate and design possible regional and/or sub-regional energy-related strategies/action plans	M	Dedicated awareness means and collaborative actions to promote the importance and interest of regional cooperation
Limited involvement and uneven interest from programme's key stakeholders	M	Flexibility to keep in all components of the programme, in order to allow partner countries to choose between different levels of partnerships without jeopardizing the overall programme's implementation.
<b>Assumptions</b>		
Countries' policy makers and specific agencies dealing with energy (and climate action) are		

<sup>(11)</sup> Established at the 2010 COP 16 ‘Green Climate Fund (GCF)’ - decision 1/CP.16.



willing to cooperate and share their experience within the region.

Energy security and climate action remain amongst the main priorities of partner countries' national development plans for the coming decades, and governments show willingness and readiness to adopt proactive and innovative political initiatives in this sense.

All partner countries show willingness and proactivity in allocating necessary human, financial and material resources that ensure a sound implementation of the Action.

In each partner country, gender balance strategies (well aligned with the Paris Agreement and the 2030 Agenda for Sustainable Development) are in place to guarantee women's involvement in relevant capacity building, decision-making and implementing processes.

### **3. LESSONS LEARNT AND COMPLEMENTARITY**

#### **3.1 Lessons learnt**

- The UfM Ministerial Declaration on Energy in December 2016 has proven the willingness of partner countries to better cooperate at regional level.
- Regional cooperation facilitates the relations between neighbouring countries, and sub-regional cooperation approaches may prove effective in certain sectors or as demonstration cases.
- Flexibility in both the approach and the proposed cooperation instruments must be sought to enable the EU and its partners to respond to ever-changing circumstances and needs.
- Energy market integration and interoperability/interconnections require the adoption of minimum comparable technical and economic standards.
- Regional programmes require extensive organisational work in order to secure adhesion of the participating countries and stakeholders, which in turn requires consistent dedicated resources.

#### **3.2 Complementarity, synergy and donor co-ordination**

This Action is complementary to the Sustainable Energy for All Initiative, aiming at (i) ensuring universal access to modern energy services, (ii) doubling the share of renewable energy in the global energy mix, (iii) doubling the global rate of improvement in energy efficiency by 2030. It is also complementary to the Covenant of Mayors initiative, as well as the Global Covenant of Mayors for Climate and Energy.

It will build on the achievements of (and ensure continuity of) previous EU-funded projects that have supported regional energy associations which have been formally nominated as key stakeholders of the Union for the Mediterranean Energy platforms: the Association of Mediterranean Regulators for Electricity and Gas (MEDREG), the Association of Mediterranean Transmission System Operators (MED TSO), the Mediterranean Association of the National Agencies for Energy Conservation (MEDENER), the Regional Centre for Renewable Energy and Energy Efficiency (RCREEE) and Observatoire Méditerranéen de l'Énergie (OME).

Improved synergies will be sought with other EU-funded bilateral and regional programmes, projects funded by the Neighbourhood Investment Platform (NIP) and the two energy-related guarantee schemes financed under the European Fund for Sustainable Development (EFSD),

and launched in 2019. The outputs from the EU-funded regional projects “ClimaMed” (in particular its support to municipalities and enhanced access to climate finance), “MedENEC” (addressing energy efficiency in buildings from 2006 to 2016), “MedSTAT” and “Euro-Arab Mashreq Gas Market” will be acutely considered. Cooperation programs from other International Financing Institutions will also be carefully considered.

The recent Commission initiative on “Africa-EU Alliance for Sustainable Investments and Jobs” has led to the creation of a “High Level Platform for Sustainable Energy Investments”, whose specific activities (on energy investments/business models with impact on growth and jobs, regulatory frameworks, and business-to-business and private sector partnerships) will be coordinated with this programme’s actions.

Enhanced donor co-ordination is essential to maximise resources, but also to make the EU's contribution more visible. Wherever possible a joint EU response in the region should be shaped around the EU brand enhancing the use of joint programming with EU Member States on and of shared analysis from all EU sources (including EU Delegations).

The EU will pursue coordination with other donors and major international financial institutions as well as working with the Union for the Mediterranean, the League of Arab States and the Gulf Cooperation Council and its Member States.

#### **4. DESCRIPTION OF THE ACTION**

##### **4.1 Overall objective, specific objective(s), expected outputs and indicative activities**

The overall objective of the Action is to contribute to enhancing energy security of beneficiary countries while fostering their transition to low carbon economy, thereby contributing to more stable, efficient, competitive and climate-resilient socioeconomic contexts. Moreover, the Action will contribute to enhancing energy security in the EU by fostering the diversification of its sources of supply and a gradual integration of the regional power systems (as a prerequisite to markets' integration).

Throughout the Action, the gender equality dimension will be fully embedded in line with the Paris Agreement and the 2030 Agenda’s provisions. Indeed, women’s and men’s needs and priorities for energy and access to energy resources often remain differently and unequally shaped by their roles and responsibilities in societies, in particular in rural contexts. This tends to limit economic opportunities for women, bring negative effects on their families and communities, and hamper broader socio-economic development and stability at local, national and regional levels.

The following specific objectives will be achieved:

- The massive deployment of renewable energy and energy efficiency measures in the Southern Neighbourhood region accelerates the energy transition.
- Euro-Mediterranean electricity and gas systems are strengthened to become gradually more integrated.
- Public awareness on energy's major stakes and challenges increases.

Expected outputs are as follows:

- enhanced harmonized regulatory frameworks for gas and electricity that favour cross border interoperability and promote investments, with a specific focus on (i) options for a gradual

removal of subsidies and (ii) consolidation of common principles for renewables' integration into the network (including at prosumers' level);

- promotion of smart digitalisation technologies at all levels of the energy supply chain;
- more efficient functioning of electricity transmission systems operators through optimised planning capacities and operations' processes (including the issue of energy storage facilities);
- development and gradual enforcement of regulatory and institutional frameworks (at regional or sub-regional levels where possible) that promote energy efficiency measures for buildings and appliances;
- increased (European and domestic) private sector investment in the renewables and energy efficiency markets in Southern neighbour countries;
- formulation of regional and sub-regional gas development plans (including LNG), based on existing and future gas supply-demand schemes and infrastructures in the Mediterranean region and its neighbour countries (mainly countries from GCC, Caucasus, Sub-Saharan Africa);
- efficient functioning of the 3 UfM Energy platforms, leading to policy convergence and dissemination of good practices.

The Action's activities will consist of (i) training and capacity building at national and local levels, with particular attention to gender equality and the increasing involvement of women's CSOs (where they exist) as key actors for sustainable energy transitions and change; (ii) seminars and workshops allowing for policy dialogue, increased cooperation and sharing of experience in which women will be actively involved (which will promote their presence and engagement in decision-making processes); (iii) specific technical assistance, as well as studies; (iv) tailored awareness campaigns on relevant strategic themes, with a gender sensitive and responsive angle and in which women will be portrayed as leaders and implementers at micro and macro levels for sustainable energy development, (v) grants to support the technical partners/secretariats of the UfM energy platforms. Some small-scale demonstration projects on energy efficiency measures shall possibly be financed too.

## **4.2 Intervention Logic**

The strategic intervention of the "Promoting the Energy Transition in the Southern Neighbourhood 2019-2022" programme aims at fostering more efficient, secure and better integrated energy systems and markets in the Southern Neighbourhood region, which would become more climate-adapted and climate-resilient.

Expected impact, objectives and results of this Action will be reached by entrusting ambitious work plans and activities to qualified associations that are well recognised within the UfM Energy framework and that have already been active on the energy sector for many years. Direct grants will be awarded to the Association of Mediterranean Regulators for Electricity and Gas (MEDREG), the Association of Mediterranean Transmission System Operators (MED TSO), the Mediterranean Association of the National Agencies for Energy Conservation (MEDENER), the Regional Centre for Renewable Energy and Energy Efficiency (RCREEE) and the Observatoire Méditerranéen de l'Energie (OME). The grant to the OME will - among others but not exclusively - finance some of its activities as Secretariat of the UfM Gas Platform. The European Commission intends to provide reduced co-financing

rates for each of the grant contracts (compared to previous rates), as a requirement towards more financial sustainability of these regional associations in a mid/long term.

A direct grant shall also finance the launch of the East Mediterranean Gas Forum (EMGF), an international organisation initiated on 14 January 2019 in Cairo by the Ministers of Energy of Egypt, Cyprus, Greece, Israel, Italy, Jordan and Palestine Ministers of Energy. This Forum will foster sub-regional cooperation following the significant offshore gas discoveries in the Eastern Mediterranean.

The political dimension of the Union for the Mediterranean remains a powerful leverage to progress on issues of common interest at regional (or sub-regional) level, which justifies the choice of addressing key energy challenges within this framework. The perspective of a new UfM Ministerial Declaration on Energy at the end of 2020 and its subsequent commitments constitute a strong incentive for increasing the support to the key regional stakeholders active in the UfM Energy framework (identified here above).

### **4.3 Mainstreaming**

Considering the domain of intervention of the Action, environmental sustainability and climate change are obviously embedded into its design and implementation phases.

Moreover, in the EU's neighbour countries (and particularly in rural areas) access to modern and sustainable energy is a crucial aspect for poverty reduction, acting as an important engine of economic growth and social development (including better health and education). As men and women's roles and responsibilities are significantly different in households, markets and communities, all activities within this programme will entail (to the extent possible) a gendered sensitive and responsive approach in line with the EU Gender Action Plan 2016-2020, the Paris Agreement and the 2030 Agenda, that encourages equality and equal opportunities. Finally, the action will support and enable women's active participation in decision-making processes with regards to more sustainable political and local energy governance. Among other things, women play a critical role on a sustainable energy and climate change agenda due to their local knowledge of and leadership in sustainable resource management, and/or leading sustainable practices at the household and community level.

All of the Action's implementing bodies will be required to ensure (when possible) women's and women CSOs' active participation in training and capacity building activities, as well as active and regular consultation with women's CSOs who work on sustainable development and energy from a gender sensitive angle. EU Delegations can provide support and guidance on who to approach nationally and locally.

Finally, through the Action's focus on regulatory reforms, institutional support and capacity building at national and local levels, good governance will be fully promoted.

### **4.4 Contribution to SDGs**

This intervention is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of Sustainable Development Goals (SDGs) targets 7 on "Affordable and clean energy", 13 on "Climate action", while also contributing to 12 "Sustainable consumption and production", 11 "Sustainable cities and communities" and 5 "Achieve gender equality and empower all women and girls".

## **5. IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner countries.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

### **5.3 Implementation modalities**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures <sup>(12)</sup>.

#### **5.3.1 Grants (direct management)**

##### ***5.3.1.1 Grant: direct award – Support to the co-operation between the Euro-Mediterranean Energy Regulators (MEDREG)***

###### **(a) Purpose of the grant**

This grant aims at contributing to the gradual development and setup of an integrated Euro-Mediterranean energy market, by harmonizing energy market design and rules that ensure open and non-discriminatory market access, adequate and sustainable investments (in particular for renewables), and consumer protection. Expected results entail (i) enhanced harmonized regulatory frameworks for gas and electricity that favour cross border interoperability and promote investments; (ii) promotion of smart digitalisation technologies at all levels of the energy supply chain; (iii) consolidation of common principles on renewable energy sources' integration in the market (including at consumer level); (iv) identification of criteria for Mediterranean Projects of Common Interest; (v) tailored support to the setup of independent regulators and enhanced staff capacities; (vi) efficient support to secretarial tasks of the UfM Regional Electricity Market Platform, in close collaboration with the MED TSO Association.

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

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<sup>(12)</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Association of Mediterranean Regulators for Electricity and Gas (MEDREG).

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because such modality is allowed for actions having specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers, on the condition that the activities concerned do not fall within the scope of a call for proposals. This is the case of the Association of Mediterranean Regulators for Electricity and Gas (MEDREG) as it is the only platform for the construction of a coherent and efficient regulatory framework and the promotion of a shared regulatory culture at regional level.

#### ***5.3.1.2 Grant: direct award – Support to the co-operation between the Euro-Mediterranean Transmission System Operators (MED TSO)***

##### **(a) Purpose of the grant**

This grant aims at promoting the progressive integration of partner countries' transmission networks (taking into account energy efficiency requirements), the enhancement of cross-border electricity exchanges as well as renewable energy sources' integration in the Mediterranean region, through the coordination of both national development plans and access rules to the grids. Expected results entail (i) improvement of the Mediterranean Transmission Network Development plan, (ii) consolidation of common technical regulatory frameworks, (iii) identification and operationalization of Interconnected Electricity Exchange Zone (IEEZ), with a view to increasing electricity exchanges, (iv) optimized planning capacities and operations processes, and (v) efficient support to secretarial tasks of the UfM Regional Electricity Market Platform, in close collaboration with MEDREG Association.

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

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Association of Mediterranean Transmission System Operators (MED TSO).

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because such modality is allowed for actions having specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers, on the condition that the activities concerned do not fall within the scope of a call for proposals. MED TSO is an extension of the Mediterranean region of the European Transmission System Operators (ENTSO-E). Therefore, MED TSO is the single and only association gathering electricity companies operating the grids (from 19 Mediterranean countries), including both EU and non EU Member States at regional level, and whose contribution remains at the core of the dynamics of Mediterranean energy markets' integration.

#### ***5.3.1.3 Grant: direct award – Support to the promotion of renewable energy and energy efficiency measures in the Southern Neighbourhood region***

##### **(a) Purpose of the grant**

This grant will support a partnership between the Mediterranean association of national agencies for energy conservation (MEDENER), and an intergovernmental organisation

aiming at increasing the adoption of renewable energy and energy efficiency practices in the Arab region (RCREEE). This partnership between the two recognized stakeholders of the UfM Renewable Energy and Energy Efficiency Platform is active since 2018. Within this Action, priority will be given to promoting energy efficiency measures in the buildings sector and for appliances, while pursuing efforts in supporting the deployment of renewable energy systems at utility scale as well as at smaller scale levels (decentralised generation), considering the massive potential of untapped sustainable energy sources in the region. The related opportunities for job creation and the contribution to reducing carbon emissions will be mainstreamed in all grant's actions. The International Energy Agency (IEA) will possibly be invited to collaborate within this framework.

Expected results entail (i) contribution to the drafting, adoption and enforcement of energy efficient building codes; (ii) widened public awareness on energy efficiency in buildings and appliances (possibly through small-scale demonstration projects); (iii) development of standardisation and labelling processes for appliances, and contribution to a gradual enforcement of national and/or regional market surveillance mechanisms; (iv) enhancement of regulatory frameworks that contribute to de-risking business environments; (v) increased European and domestic private sector involvement in the renewables and energy efficiency markets, (v) tailored support to national agencies and line ministries and enhanced staff capacities; and (vi) efficient support to secretarial tasks of the UfM Energy Efficiency and Renewable Energy Platform.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Mediterranean Association of the National Agencies for Energy Conservation (MEDENER) in partnership with the RCREEE centre. The choice of the lead applicant will be done during the formulation phase.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because such modality is allowed for actions having specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers, on the condition that the activities concerned do not fall within the scope of a call for proposals. This is the case of the (already existing) partnership between these two (recognized) stakeholders of the UfM Renewable Energy and Energy Efficiency Platform:

- the Mediterranean Association of the National Agencies for Energy Conservation (MEDENER), which brings together since 1997 most agencies in the region in charge of energy efficiency and the promotion of renewable energy sources; and
- the RCREEE centre, which is since 2008 the only institution working on the themes specified here above with all Arab countries of the Southern Neighbour region (among others).

**5.3.1.4 Grant: direct award – Support to regional co-operation towards an integrated gas market in the Southern Neighbourhood region**

(a) Purpose of the grant

This grant aims at contributing to the gradual setup of a secure, sustainable and integrated Euro-Mediterranean gas market, by promoting security, transparency and predictability of

both supply and demand (while fairly taking into account the interest of producing and consuming countries).

Expected results entail (i) assessment of gas supply-demand balances and perspectives for trade evolutions in the Mediterranean region, (ii) identification of the potential for small-scale LNG (liquefied natural gas) applications and LNG in maritime transport; (iii) affirming the accurate role of natural gas in the Mediterranean energy transition (coupled with renewables and energy efficiency and taking into account the issue of fugitive methane emissions); (iv) assessment of the opportunities for storage systems and for power to gas technologies (i.e. blue and green hydrogen, synthetic gas, sectorial integration); and (v) efficient secretarial tasks of the UfM Gas Platform and coordination of the drafting of “Mediterranean Energy Perspectives 2020 and 2022” (with MEDREG, MED TSO, MEDENER, RCREEE) that would support policy developments at regional level.

(b) Justification of a direct grant

Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to the Observatoire Méditerranéen de l’Energie (OME).

Under the responsibility of the Commission’s authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because such modality is allowed for actions having specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers, on the condition that the activities concerned do not fall within the scope of a call for proposals. This is the case of the Observatoire Méditerranéen de l’Energie (OME) which gathers since 1988 the leading energy companies operating in the Mediterranean region, and has been formally nominated as Secretariat of this UfM Gas Platform.

**5.3.1.5 Grant: direct award – Support to the East Mediterranean Gas Forum**

(a) Purpose of the grant

This grant aims at contributing to the establishment of the nascent “East Mediterranean Gas Forum” (EMGF), an international organisation initiated on 14 January 2019 in Cairo by the Ministers of Energy of Egypt, Cyprus, Greece, Israel, Italy, Jordan and Palestine. Following the significant offshore gas discoveries in the Eastern Mediterranean that have a profound impact on the region’s energy and economic developments, partner countries have affirmed their commitment to foster cooperation and initiate a structured and systematic policy dialogue on natural gas, potentially leading to the development of a sustainable regional gas market that could unlock the full gas resource potential in the region. Until the final institutional structure of the EMGF is formally adopted by its Member States, this grant will support the activities of the existing High Level Working Group.

(b) Justification of a direct grant

Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to the “East Med Gas Forum”.

Under the responsibility of the Commission’s authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because such modality is allowed for actions having specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative powers, on the condition that the activities concerned do not fall within the scope of a call for proposals. This



is the case of the East Med Gas Forum, as the only formal platform for sub-regional cooperation between gas producing countries (including new potential producers), buyers and transit countries in the region, also involving the gas industry and the private sector (including investors, traders, financing entities and other stakeholders in this regard).

#### 5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provision.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

#### 5.5 Indicative budget

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution (amount in EUR)</b>
<b>Grants</b> under section 5.3.1		
5.3.1.1 Direct grant: Support to the co-operation between the Euro-Mediterranean Energy Regulators (MEDREG)	3 000 000	333 000
5.3.1.2 Direct grant: Support to the co-operation between the Euro-Mediterranean Transmission System Operators (MED TSO)	2 000 000	667 000
5.3.1.3 Direct grant: Support to the promotion of renewable energy and energy efficiency measures in the Southern Neighbourhood region (MEDENER and RCREEE)	5 000 000	900 000
5.3.1.4 Direct grant: Support to regional co-operation towards an integrated gas market in the Southern Neighbourhood region (OME)	1 500 000	500 000
5.3.1.5 Direct grant: Support to the East Mediterranean Gas Forum (EMGF)	500 000	500 000
<b>Evaluation Audit/Expenditure verification</b>	Will be covered by another Decision	N.A.

<b>Communication and visibility</b>	N.A.	N.A.
<b>Totals</b>	<b>12 000 000</b>	<b>2 900 000</b>

## **5.6 Organisational set-up and responsibilities**

This action will be managed by Commission services (Directorate General for Neighbourhood and Enlargement Negotiations) and, where relevant in close co-operation with other Commission services and other relevant stakeholders. For each component, in cases where a Steering Committee is created, the participation of relevant Commission services is foreseen.

## **5.7 Performance and Results monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partners' responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) or the partner's strategy, policy or reform action plan list (for budget support).

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.8 Evaluation**

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular (i) the innovative approaches fostered through numerous activities financed under this programme, and (ii) the highly expected potential for synergies and complementarity with other actions financed by the European Union in the frame of its bilateral co-operation with each country in the region.

The Commission shall inform the implementing partners at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all

necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner countries and other key stakeholders. The implementing partners and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner countries, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a Financing Decision.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a Financing Decision.

## **1.6 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner countries (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and contribution agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

## **6. PRE-CONDITIONS**

Not applicable.

## APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
<b>verall objective: Impact</b>	To enhance energy security of regional partner countries while fostering their transition to low carbon economy, thereby contributing to more stable, efficient, competitive, climate-resilient socioeconomic contexts.	Evolution of the partner countries' energy balance  Progress of partner countries in achieving their NDC's (Nationally Determined Contributions) commitments	Country specific (2019)	Country specific (2022)	- Partner Countries' National Development Plans - Annual reports from Partner countries' Ministry of Energy - Reports from Observatoire Méditerranéen de l'Energie (OME)	
<b>Specific objective: Outcome</b>	The massive deployment of renewable energy and energy efficiency measures in the Southern Neighbourhood region accelerates the energy transition.  Euro-Mediterranean electricity and gas systems are strengthened and become gradually more integrated.  Public awareness on energy's major stakes and challenges increases.	Evolution of the partner countries' energy mix and energy intensity  Increase of cross border electricity and gas exchanges  Number of regional awareness actions, conferences and seminars	Country specific (2019)  Country specific (2019)  0	Country specific (2022)  Country specific (2022)  20	- Annual reports from Partner countries' Ministry of Energy  - Observatoire Méditerranéen de l'Energie (OME) reports  - Regional and local surveys	Countries' policy makers and specific agencies dealing with energy (and climate action) are willing to cooperate and share their experience within the region.
<b>Outputs</b>	<ul style="list-style-type: none"> <li>Regulatory frameworks for gas and electricity sectors improve (thanks to skills' enhancement actions) and gradually converge at regional or sub-regional levels</li> <li>The governance and performance of electricity transmission systems</li> </ul>	<ul style="list-style-type: none"> <li>Number of developed and commonly agreed regulations at regional or sub-regional level</li> <li>Number of man days of technical assistance being</li> </ul>	0  0	20  120	- Annual reports from Partner countries' Ministry of Energy  - Annual reports from TSOs and regulatory agencies  - Reports from Observatoire	Energy security and climate action remain amongst the main priorities of partner countries' national development

	<p>operators (TSOs) is improved through optimised planning capacities and operations' processes</p> <ul style="list-style-type: none"> <li>• Smart digitalisation technologies are promoted at all levels of the energy supply chain</li> <li>• Development and gradual enforcement of regulatory and institutional frameworks (at regional or sub-regional levels where possible) that promote energy efficiency measures for buildings and appliances</li> <li>• Increased (European and domestic) private sector's investments in the renewables and energy efficiency markets in Southern neighbour countries</li> <li>• Formulation of regional and sub-regional gas development plans (including LNG), based on existing and future supply-demand schemes and infrastructures in the Mediterranean region and its neighbour countries (mainly countries from GCC, Caucasus, Sub-Saharan Africa)</li> <li>• The 3 UfM Energy platforms meet at regular and efficient pace</li> </ul>	<p>successfully provided to TSOs</p> <ul style="list-style-type: none"> <li>• Number of events highlighting the opportunities of smart digital technologies</li> <li>• Evolution of the adoption and enforcement of Energy Efficiency Buildings codes and/or Standardisation and Labelling regulations</li> <li>• Amount of financial commitments and disbursements from private companies in renewables and energy efficiency projects</li> <li>• Number of studies and assessment being drafted and disseminated</li> <li>• Number of meetings and workshops within the 3 UfM Energy platforms</li> </ul>	<p>0</p> <p>Country specific (2019)</p> <p>Country specific (2019)</p> <p>0</p> <p>10</p>	<p>20</p> <p>Country specific (2022)</p> <p>Country specific (2022)</p> <p>10</p> <p>24</p>	<p>Méditerranéen de l'Energie (OME)</p> <ul style="list-style-type: none"> <li>- Reports from the Secretariat of the Union for the Mediterranean</li> <li>- Annual reports from Partner countries' Ministry of Industry and/or Ministry of Economy and Trade</li> <li>- Regional and local surveys</li> </ul>	<p>plans for the coming decades, and governments show willingness and readiness to adopt proactive and innovative political initiatives in this sense.</p> <p>All partner countries show willingness and proactivity in allocating necessary human, financial and material resources that ensure a sound implementation of the programme.</p>
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