

PERSPECTIVAS DE LA SEGURIDAD ENERGÉTICA EUROPEA EN EL MEDITERRÁNEO

EU EXTERNAL ENGAGEMENT AND THE EURO- MEDITERRANEAN ENERGY COOPERATION: BETWEEN REGIONAL INITIATIVES AND STRATEGIC PARTNERSHIPS

Andrea PRONTERA*

1. INTRODUCTION

In parallel with the development of the internal energy market (IEM), the EU has gradually increased its external engagement on energy. This engagement has taken different forms, namely the externalisation of EU energy policy, the integration of energy policy objectives into external policies and energy diplomacy¹. The latter is mainly exemplified by the EU's direct involvement in promoting new gas supply routes, diversification and infrastructure, as with the Southern Gas Corridor. This form is less-developed and more problematic due to the limited resources and authority the EU has in this regard. On the other hand, the externalisation of EU energy policy is the most significant (and traditional) form of EU external engagement. This form is also indicated as the «external dimension» of the EU internal energy market² or the external face of the EU regulatory state³. It is aimed at promoting the EU regulatory framework beyond its borders and has manifested itself in a variety of bilateral and multilateral structures that extend the functional

* Assistant Professor of International Relations and EU Institutions and Policies at the University of Macerata (andrea.prontera@unimc.it).

¹ BATZELLA, F., «Work in Progress: The Development of EU External Engagement on Energy», in DAMRO, C., GSTÖH, S. and SCHUNZ, S. (eds.), *The European Union's Evolving External Engagement: Towards New Sectoral Diplomacies?*, London, Routledge, 2018, pp. 107-125.

² HERRANZ-SURRALLÉS, A., «European External Energy Policy: Governance, Diplomacy and Sustainability», in AARSTAD, A. K., DRIESKENS, E., JØRGENSEN, K. E., LAATIKAINEN, K. and TONRA, B. (eds.), *Sage Handbook of European Foreign Policy*, London, Sage, 2015, pp. 911-925.

³ GOLDTHAU, A. and SITTER, N., *A Liberal Actor in a Realist World: The European Union Regulatory State and the Global Political Economy of Energy*, Oxford, Oxford University Press.

and organisational borders of the EU and promote convergence or approximation to the EU model. These structures have different degrees of institutionalisation —at political and administrative levels— and are supported by legal or other types of policy instruments⁴. Examples are legally binding treaties like the Energy Charter Treaty (ECT) and the Energy Community Treaty or the EU's efforts under the European Neighbourhood Policy (ENP). Under the ENP, the EU applies (soft) conditionality in Association Agreements and Action Plans as well as technical and financial assistance (capacity building) to promote its rules abroad. However, this form of external engagement also includes more horizontal and looser intergovernmental or trans-governmental frameworks such as those developed under other regional and bilateral initiatives including the Eastern Partnership, the Baku Initiative, the Union for the Mediterranean, the Memorandum of Understanding and the Energy Dialogues.

The ENP is also the major framework for the second form of EU external engagement in energy: the integration of energy policy objectives into the EU's external policies. Indeed, the EU uses the ENP not only to promote its regulatory framework abroad but also as an external policy concerning third countries through which energy policy objectives are pursued⁵. After the war in Eastern Ukraine (2014) and the launch of the Energy Union (2015), the main objective of the EU has become energy security. By integrating energy into policies related to sustainable development, environmental protection or neighbourhood the EU aims to secure energy resources from producers as well as consolidate energy relations with «strategic» partners.

This article focuses on the first and second forms of EU external engagement in the Mediterranean. In the next section, this article reviews the origins and developments of the regional initiatives created by the EU to promote its market model and energy interests in this region. This section also presents a map of the complex institutional architecture that channels Euro-Mediterranean energy cooperation. Section 3 focuses on EU efforts to build bilateral relations with strategic partners, particularly Algeria and Egypt. In both sections, special attention will be devoted to the changes enacted after 2014-2015. Finally, a brief assessment of the effectiveness of EU energy strategies in the Mediterranean region is provided.

⁴ See for example: PADGETT, S., «Energy Co-operation in the Wider Europe: Institutionalizing Interdependence», *Journal of Common Market Studies*, vol. 49, 2011, no. 5, pp. 1065-1087; HERRANZ-SURRALLÉS, A., «Energy Cooperation: The Leading Light of the Revised European Neighbourhood Policy? Drivers and Limits of the EU's Functional Extension», in BOURIS, D. and SCHUMACHER, T. (eds.), *The Revised European Neighbourhood Policy: Continuity and Change in EU Foreign Policy*, London, Palgrave Macmillan, 2017, pp. 241-261; PRONTERA, A., *The New Politics of Energy Security in the European Union and Beyond: States, Markets, Institutions*, London, Routledge, 2017.

⁵ BATZELLA, F., *op. cit.*, note 1, p. 117.

2. EU REGIONAL INITIATIVES AND EURO-MEDITERRANEAN ENERGY COOPERATION: ORIGINS AND RECENT DEVELOPMENTS

The first efforts to strengthen Euro-Mediterranean energy cooperation were realised in 1996 with the launch of the Euro-Mediterranean Energy Forum in the framework of the Euro-Mediterranean Partnership (EMP). This initiative was a loose intergovernmental and trans-governmental framework for dialogue not supported by a stable organisational structure. It aimed at promoting general market-liberal goals —it contemplated the possibility of partner countries joining the ECT— and development objectives⁶. From the late 1990s to the late 2000s —in parallel with the enhancement of the IEM— market reforms and approximation to EU rules in the gas and electricity sectors became the major goals of EU engagement in the region⁷. The idea was to export the EU's «domestic» model based on the regulatory state approach. In terms of rule promotion, hence, the content of the EU's actions focused on network unbundling, a regulated Third Party Access regime, the establishment of independent regulatory authorities and an incentive-based tariff system⁸.

In 2006, in the wake of the first Russia-Ukraine gas dispute, the European Commission proposed expanding the Energy Community Treaty to the Mediterranean. However, governments in the Southern Mediterranean had shown little interest in a similar project that would have limited their energy sovereignty⁹. Major gas producers like Algeria, Libya and later Egypt were not eager to enter into legally binding commitments or adopt market reforms that could challenge the system of rents and energy subsidies supporting the stability of the ruling elite.

Euro-Mediterranean energy cooperation was hence channelled through a new regional political framework that upgraded the EMP, the Union for the Mediterranean (UfM), trans-governmental networks that mirrored the internal governance of the IEM and gathered regulators and Transmission System Operators (Medreg and Med-TSO), and the bilateral relations implemented in the context of the ENP (Table 1). These initiatives differed for the actors involved, their degree of institutionalisation and the logic of rule promotion from more top-down forms of rule promotion through (soft) conditionality, as with the ENP, to more horizontal, network forms in other cases¹⁰. However,

⁶ HERRANZ-SURRALLÉS, A., «Thinking energy outside the frame? Reframing and misframing in Euro-Mediterranean energy relations», *Mediterranean Politics*, vol. 23, 2018, no. 1, pp. 122-141.

⁷ VANTAGGIO, F. P., «Defining Euro-Mediterranean Energy Relations», in RUBINO, A., COSTA CAMPI, M. T., LENZI, V. and OZTURK, I. (eds.), *Regulation and Investments in Energy Markets: Solutions for the Mediterranean Region*, London, Elsevier, 2016, pp. 24-37.

⁸ CAMBINI, C. and FRANZI, D., «National Independent Regulatory Authorities as a case for EU rules promotion in the southern Mediterranean region», in CAMBINI, C. and RUBINO, A. (eds.), *Regional Energy Initiatives. MedReg and the Energy Community*, London, Routledge, 2014, pp. 209-225.

⁹ PADGETT, S., *op. cit.*, note 4.

¹⁰ RUBINO, A., «Euro-Mediterranean Gas Cooperation: Roles and Perceptions of Domestic Stakeholders and the European Commission», Florence, EUI WP, RSCAS 2016/53.

they shared the same set of common goals: promoting convergence and harmonisation toward EU rules and exporting the EU model of energy market governance. These goals were pursued both at the regional and bilateral levels, where the ENP Action Plans envisaged assistance for reforms in the energy sector focused on liberalisation and the establishment of independent regulators¹¹. Regulatory approximation also aimed to promote energy infrastructures and interconnections between the two shores of the Mediterranean Sea.

Despite the very poor achievements in rule export and the plan for interconnectivity, the EU approach changed only slightly in the aftermath of the Arab Spring¹². At the beginning of the 2010s, promotion of renewable energy and energy efficiency entered more prominently into the scene of Euro-Mediterranean cooperation. Several projects involving experts, regulators and companies were proposed (*e. g.*, Medgrid, Desert Tech Initiative, Med-Enec), and the Mediterranean Solar Plan (MSP) was launched as a flagship initiative of the UfM (Table 1). The MSP in particular was design to promote public-private cooperation in a more pragmatic and less EU-centred way, although it had important traction from the EU security of supply concerns and market approach¹³. However, it eventually failed in 2013 due to changing market conditions and opposition from EU member states. Despite this project's failure, EU funding of energy-related projects in the region grew from € 88 million for the MEDA program (1996-2006) to € 432 million for the ENPI (2007-2013)¹⁴.

After the war in Eastern Ukraine, energy security issues were more firmly anchored to the ENP bilateral and multilateral framework, which incorporated the energy (and climate) objectives of the Energy Union. With regard to the Mediterranean, the more ambitious «more for more» approach proposed after the Arab Spring was abandoned. In the energy realm, the EU's goal was now to «offer cooperation, on a tailored basis, to promote the production, distribution, trade and efficient consumption of energy»¹⁵. Promoting investments, supporting renewables and energy efficiency, however, also acquired a security of supply dimension for the EU. Reducing gas consumption in producer states was considered an important environmental goal as well as a way for increasing their gas export potentials owing a growing domestic demand¹⁶. Three new platforms (on natural gas, electricity and renewables)

¹¹ ESCRIBANO, G., «Convergence towards Differentiation: The Case of Mediterranean Energy Corridors», *Mediterranean Politics*, vol. 15, 2010, no. 2, pp. 211-229.

¹² RUBINO, A., COSTA CAMPI, M. T., LENZI, V. and OZTURK, I. (eds.), *Regulation and Investments in Energy Markets: Solutions for the Mediterranean Region*, London, Elsevier, 2016; HERRANZ-SURRALLÉS, A., *op. cit.*, note 6.

¹³ CARAFA, L., «The Mediterranean Solar Plan through the Prism of External Governance», *Paper Euromesco*, 2011, no. 5.

¹⁴ HERRANZ-SURRALLÉS, A., 2018, *op. cit.*, note 6, p. 9.

¹⁵ EUROPEAN COMMISSION, *Review of the European Neighbourhood Policy*, Brussels, SWD(2015) 500 final, p. 12.

¹⁶ TAGLIAPIETRA, S. and ZACHMANN, G., *Energy across the Mediterranean: A call for realism*, Brussels, Bruegel Policy Brief, 2016, no. 2016/3.

TABLE 1. Major EU regional initiatives for energy cooperation in the Mediterranean region (1996-2018)

Initiative (start-end)	Non-EU states involved	Energy objectives	Organizational structure (political level)	Organizational structure (administrative level)	Policy instruments (LEGAL and FINANCIAL)	Forms of energy co-operation
Mediterranean Energy Forum-EMP (1996-ongoing; since 2008 included in the framework of the UfM)	Cyprus, Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Malta, Syria, Tunisia, Turkey	Data exchange, facilitating investments; integrating Euro-Med electricity and gas markets; promoting renewable and energy efficiency	Euro-Mediterranean partnership (EMP)	none	MEDA (1996-2006)	Loose intergovernmental framework for dialogue
ENP Southern Neighbourhood (2004-ongoing)	Algeria, Egypt, Israel, Jordan, Lebanon, Libya (*), Morocco, Palestine, Syria, Tunisia	Energy market reforms, convergence/approximation to the EU rules and norms Promoting renewable energies and energy efficiency	Association Agreements (AAs) council/meetings (ministerial level)	AAs council/meetings (senior official level)	AA, ENP Action Plan MEDA (1996-2006), ENPI (2007-2013), ENI(2014-2020)	Bilateral structured framework for inter-governmental and transgovernmental dialogue, approximation/convergence through (soft) conditionality
Medreg (2007-ongoing)	Albania, Algeria, Bosnia-Herzegovina, Egypt, Israel, Jordan, Libya, Montenegro, Morocco, Palestinian Authority, Tunisia, Turkey	Harmonizing the regulatory framework, fostering market integration and investments in infrastructures	General Assembly (representatives from national governments)	Medreg secretariat	—	Structured regional framework for trans-governmental horizontal dialogue and coordination among national regulators
Union for the Mediterranean (2008-ongoing)	Albania, Algeria, Bosnia and Herzegovina, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Montenegro, Morocco, Palestine, Syria, Tunisia, Turkey	Reinforcing regional dialogue, supporting strategic project promotion, developing a Euro-Mediterranean gas/electricity market Promoting renewable energy and energy efficiency	UfM Co-Presidency National representatives from member countries	UfM secretariat 2015; Platform UfM Renewable Energy and Energy Efficiency Platform UfM Gas Platform	—	Structured inter-governmental framework for dialogue 2015: UfM Platforms open to energy companies
Med-TSO (2012-ongoing)	Israel, Montenegro, Jordan, Morocco, Algeria, Egypt, Albania, Tunisia, Palestine, Turkey, Libya	Harmonization and regulatory coordination, infrastructure development strengthening of the electricity markets in the Mediterranean region	General Assembly (representatives from national governments)	Med-TSO secretariat Technical Committees	—	Structured regional framework for trans-governmental horizontal dialogue and coordination among national TSO (electricity)
Mediterranean Solar Plan (flagship initiative of UfM) (2008-2013)	UfM partners (see above)	Establishing a regulatory framework for import-export of green electricity to the EU	UfM political framework	UfM administrative framework	ENPI (2007-2013)	Framework for inter-governmental, trans-governmental and public-private cooperation

Sources: authors' own elaboration from EU documents and website.

Notes: (*) Libya has no Association Agreement (AA) with the EU and it is outside most of the ENP structures; Libya only holds observer status in the Barcelona process and the Union for the Mediterranean.

were established in 2015 in the framework of the UfM (Table 1). However, rather than focusing on regulatory harmonisation, they prioritised a more pragmatic approach, a technical and voluntary form of convergence, which involves both energy companies and national representatives. This more pragmatic approach to energy cooperation and investment projects has also been adopted with the major producers of the region. The EU has engaged bilaterally, especially with Algeria and Egypt.

3. EU BILATERAL ENGAGEMENT AND «STRATEGIC» ENERGY PARTNERSHIPS

Since the launch of the ENP, EU-Algeria relations have been very complicated¹⁷. Algeria contested the EU's approach of conditionality and rejected the liberal-market framework proposed by the EU in the energy sector. In 2006, in the wake of the first Russia-Ukraine gas dispute, Algiers proposed the conclusion of a «strategic energy partnership» with Brussels. However, the European Commission embedded its proposal within its market-regulatory framework, provoking a rejection from Algerian policy makers¹⁸. Algeria also rejected the plans on renewables promoted within the UfM framework (*e. g.*, the Mediterranean Solar plan and the Desertec initiative). It was willing to support renewable energies but preferred to focus on domestic demand rather than export options and regional interconnections.

In 2013, the EU and Algeria finally upgraded their bilateral cooperation and signed a Memorandum of Understanding for the establishment of a «strategic energy partnership». This document recognised the importance of the EU-Algeria energy interdependence both for the European security of supply and the Algerian security of demand. It also reasserted the need to develop a stronger dialogue and promote renewables, energy infrastructure and reforms of the Algerian domestic energy market. However, internal reforms remained problematic, and Algeria continued to be reluctant to open its hydrocarbon sector. After the war in Eastern Ukraine and the launch of the Energy Union, the European Commission promoted a new EU-Algeria «political dialogue on energy matters». This initiative, established in May 2015, envisaged a «high level» annual meeting (in Brussels or Algiers) between EU and Algerian representatives, the establishment of two groups of experts—one on natural gas and the other on electricity, renewables and energy efficiency—and a business forum gathering policy makers and companies from Algeria and the EU. The EU also granted a € 10 million technical assistance loan to

¹⁷ See DARBOUCHE, H., «Decoding Algeria's ENP policy: differentiation by other means?», *Mediterranean Politics*, vol. 13, 2008, no. 3, pp. 371-389; YOUNGS, R., *Energy security: Europe's new foreign policy challenge*, London, Routledge, 2009; DARBOUCHE, H., «Third time lucky? Euro-Mediterranean energy co-operation under the Union for the Mediterranean», *Mediterranean Politics*, vol. 16, 2011, no. 1, pp. 193-211.

¹⁸ DARBOUCHE, H., 2008, *op. cit.*, note 17.

support Algerian renewables and energy efficiency programmes. However, with regard to the gas sector, the positions and views of the EU and Algeria remained distant. In Algiers, the new initiative was mainly perceived as a renewed episode of the EU applying pressure to open up its hydrocarbon sector and to renegotiate the long-term gas contracts that were set to expire in 2021¹⁹. In 2017, energy security issues were also included in the Partnership Priority (2017-2020) agreed upon by the EU and Algeria in the framework of the revised ENP. In this case, however, the agreement was limited to improving dialogue and exchanging information and did not include more specific objectives or commitments for energy security cooperation or market reforms.

EU bilateral relations with Egypt followed a similar pattern, although Egyptian policy makers showed a less confrontational approach toward the EU and were more open—at least formally—to market-based reforms. Initially, as in Algeria, in its 2004 Association Agreement with the EU, Egypt only agreed on general objectives for energy cooperation, with no references to approximation or convergence to the EU model. However, in 2007, the Egyptian government under Mubarak more explicitly accepted the policy framework proposed by the EU. In the ENP Action Plan, a gradual convergence toward the principles of the EU internal electricity and gas markets was envisaged. Egypt also agreed to extend cooperation in the area of energy infrastructure, energy efficiency and renewable. This perspective was then reasserted in the 2008 Memorandum of Understanding on a «strategic partnership on energy» signed by Egypt and the EU. In this case, Egypt agreed to «cooperate in the development of an overall long term energy strategy converging towards EU energy policy objectives» and to promote a «gradual convergence of the regulations pertaining to the Egyptian energy market with the European Union's internal energy market regulations»²⁰.

Despite this formal positive attitude toward the EU policy framework, few reforms were implemented during the Mubarak period. After Mubarak, market reforms continued to be postponed, partially due to the problematic energy situation in the country. After 2015, the EU tried to relaunch its energy partnership with Egypt. In 2017, Egypt signed its ENP Partnership Priority for 2017-2020, covering, among other issues, energy security and environmental and climate actions. In particular, the possibility of improving synergies between the EU and Egypt in the LNG sector was envisaged. In 2018, the EU and Egypt also signed a new «Memorandum of Understanding on strategic energy partnership for the 2018-2022 period», which replaced the one signed in 2008. It offered technical and financial assistance and capacity-building to foster market reforms in the Egyptian energy sector as well as to

¹⁹ ESCRIBANO, G., *The EU-Algeria energy forum: a new narrative in the making or just another missed opportunity?*, Madrid, Elcano Royal Institute, 2016, Expert Comment 21/2016.

²⁰ *Memorandum of Understanding on Strategic Partnership on Energy between the European Union and the Arab Republic of Egypt*, available at: https://ec.europa.eu/energy/sites/ener/files/documents/eu-egypt_mou.pdf (accessed 25 November 2018).

support the creation of a «gas hub» in the country with the view of increasing the diversification of gas supplies to Europe. A similar development would be particularly important for the EU considering the possible connection between the new offshore discoveries in the Eastern Mediterranean basin, including the giant Zohr gas field discovered by the Italian ENI, and the existing Egyptian LNG export facilities²¹.

4. CONCLUSIONS

Since the late 1990s, the EU has increased its efforts to widen its functional and organisational borders and promote its energy objectives in the Mediterranean. The EU approach has oscillated between a more top-down logic aimed at exporting the EU internal energy market model and a more horizontal logic aimed at gradually promoting voluntary regulatory convergence and pragmatically fostering investments. In both cases, however, the results have been very poor. The countries in this region, especially major producers, have continued to show scarce interest in entering legally binding treaties or reforming their energy sectors according to EU prescriptions. They prefer more flexible, bottom-up approaches to harmonise regulatory and technical standards and a greater appreciation for the peculiar political, economic and social developments in the region, which do not allow for a simple replication of the EU internal model²². They also tend to consider the EU efforts to promote rule changes ineffective, especially in the forms of network pressure (*e. g.*, Medreg) while also stressing the crucial role played in policy reforms by domestic actors, notably executives and state-owned energy companies²³.

At best, in many cases, the result of EU actions to foster regulatory reforms is limited to a «pure cosmetic change» without substantial domestic transformations²⁴. Similarly, although EU funding has steadily increased—in 2014-2016 assistance for energy projects under the ENI program reached € 478 million—²⁵ the region has continued to attract few investments and has had many problems promoting public-private partnership, with the notable exceptions of Morocco and Jordan²⁶. In recent years, the EU has tried to refocus its approach with regard to regional initiatives (*e. g.*, the new platforms established within the UfM) and bilaterally, engaging especially with Algeria and Egypt, who signed «strategic energy partnerships» with Brussels. It is not

²¹ PRONTERA, A. and RUSZEL, M., «Energy Security in the Eastern Mediterranean», *Middle East Policy*, vol. 24, 2017, no. 3, pp. 145-162.

²² CAMBINI, C. and RUBINO, A. (eds.), *Regional Energy Initiatives: MedReg and the Energy Community*, London, Routledge, 2014; RUBINO, A., COSTA CAMPI, M. T., LENZI, V. and OZTURK, I., *op. cit.*, note 12.

²³ CAMBINI, C. and FRANZI, D., *op. cit.*, note 8; RUBINO, A., *op. cit.*, note 10.

²⁴ CAMBINI, C. and FRANZI, D., *op. cit.*, note 8, p. 268.

²⁵ HERRANZ-SURRALLÉS, A., 2018, *op. cit.*, note 6, p. 9.

²⁶ See, for example, RUBINO, A., DI LIDDO, G. and SOMMA, E., «Determinants of PPP in infrastructure development: MENA and Energy», Paper Presented at SIEP conference, June 2017, available at: https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=SIEP2017&paper_id=140 (accessed 25 November 2018).

yet clear whether these innovations will result in actual changes. In the case of Algeria, the traditional problems that hindered cooperation in the past appear to remain unresolved. On the other hand, EU-Egypt relations have been relaunched in 2017-2018, although it is too soon to determine whether these new commitments will produce a real impact with regard to domestic reforms and infrastructural development.

Keywords: energy security, EU external relations, euro-mediterranean cooperation.

Palabras clave: seguridad energética, relaciones exteriores de la UE; cooperación euromediterránea.