

The Key Role of Energy Regulation in the Mediterranean Region

Fabio Tambone
MEDREG General Coordinator

From Mediterranean Plans to RE Power Plants

Rome, October 3, 2012

International Energy Agency Conference



- MEDREG was launched in 2006 as a voluntary Working Group, and became a formal Association in 2007
- MEDREG gathers Energy Regulators of 20 countries of the Mediterranean basin to promote a clear, stable and harmonized legal and regulatory framework in the Mediterranean region
- MEDREG Secretariat is located in Milan, hosted by the Italian Regulatory Authority for Electricity and Gas (AEEG)
- MEDREG benefits from the support of the European Union, and of the Council of European Energy Regulators (CEER) and of its members.



Membership

MEMBERS



ALBANIA (ERE)



ALGERIA (CREG)



ALGERIA (ARH)



BOSNIA HERZEGOVINA (SERC)



CROATIA (HERA)



CYPRUS (CERA)



EGYPT (EGYPTERA)



FRANCE (CRE)



GREECE (RAE)



ISRAEL (PUA)



ISRAEL (NGA)



ITALY (AEEG)



JORDAN (ERC)



JORDAN (MEMR)



MALTA (MRA)



MONTENEGRO (REGAGEN)



MAROCCO (MEMEE)



PALESTINIAN AUTHORITY (PERC)



PORTUGAL (ERSE)



SLOVENIA (AGEN-RS)



SPAIN (CNE)



TUNISIA (MIT)

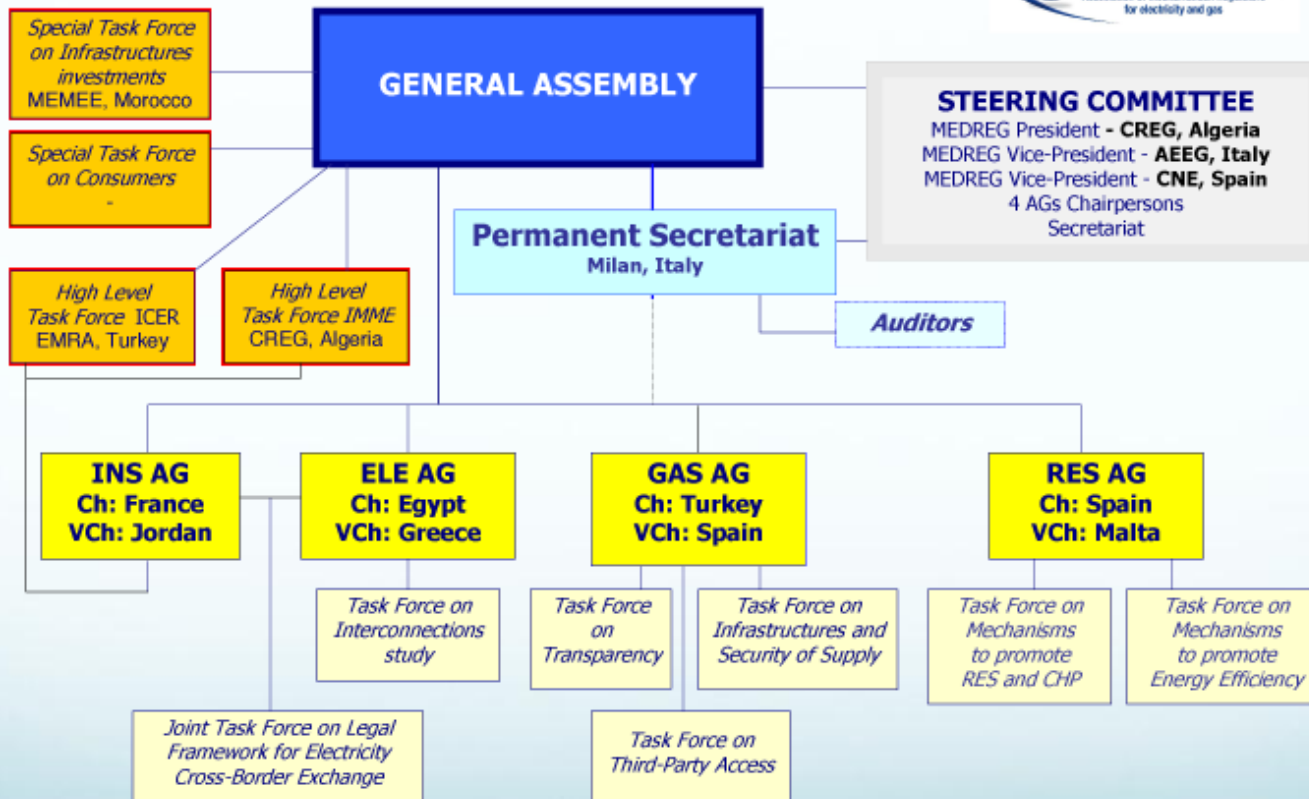


TURKEY (EMRA)



Organization Chart

MEDREG ORGANIZATION CHART



Mission

- To promote a **greater harmonization** of the energy markets and legislations and to seek progressive market integration in the Euro-Mediterranean region
- To foster **sustainable development** in the energy sector through greater efficiency and integration of energy markets based on secure, safe, cost-effective and environmentally sustainable energy systems
- To support initiatives of common interest in key areas such as **infrastructure development**, investment financing and research
- To provide **capacity building activities** through working groups, training, session and seminars
- To foster co-operation, **information exchange and assistance among members** providing a permanent discussion framework



A new approach to Mediterranean energy challenges

- **Context of strategic energy challenges of the Mediterranean region:** necessity to conciliate a rising energy demand with sustainable development conditions
- Mediterranean Energy Regulators consider as a priority to constitute a strong institutional basis **promoting a “bottom up“ approach** towards energy markets integration
- **These objectives require**
 - **A long term vision**, as continuous efforts are necessary to achieve a converging and coherent regulatory framework through a step-by-step approach (e.g IMME Action Plan 2010-2015)
 - **Designed at regional level, including regional targets**



Towards a Mediterranean Energy Community

- **MEDREG would provide technical and regulatory support to national and regional actors**, including governments, parliaments, local authorities, UfM, institutional investors, and regional associations (TSO's, operators, consumers)
- **These activities would enhance the creation of an effective and well consolidated Mediterranean Energy network**, strengthening *inter alia* the role and visibility of the Mediterranean Energy Forum launched by the European Commission
- **With the aim to support the creation of a *Mediterranean Energy Community* by 2020** involving all stakeholders of the energy sector



Accountability

- **Involvement of all actors of the Mediterranean energy area:** national and regional stakeholders of the energy sector, such as governments, parliaments, financial institutions, TSOs, industrial and consumers' associations, think tanks
- **Explicit political endorsement as point of reference for energy regulation at regional level** (Declaration of the Euro-Mediterranean Energy Ministers meeting, Limassol 2007; Declaration of the Euro-Mediterranean Foreign Affairs Ministers meeting, Marseille 2008; “G8+ Energy Regulators Round Table”, Rome 2009)
- Identification as **one of the key actors for energy cooperation and market integration in the region** (by the ITRE Committee of the European Parliament in a 2011 report on the “Energy Strategy in the Southern Mediterranean”, and by the United Nations in its “13th meeting on Oceans and the Law of the Sea on Marine Renewable Energy” in May 2012, when MEDREG pivotal role in the Mediterranean energy framework was acknowledged and strongly supported in view of its constitution as a permanent organization)
- **Acknowledgment by the EC** in its June 2012 Communication on “Renewable energy” of the role of MEDREG **in the implementation of the RES Directive**, and in particular North-South energy exchange.



Network



15



Progressive harmonisation as a condition for market integration 1/2

- **Stability and transparency of energy markets design and organization**
 - Progressive opening to competition, according to each national situation and targets
 - Separate entities for energy generation, transmission, distribution and supply (public or private)
 - Implementation of clear and stable support schemes for RES and EE, including transparent, realistic and detailed targets at national AND regional level for each category of RES and EE measure
- **Define a “policy path” towards a coherent and more and more coordinated approach in the Mediterranean region**
 - Through progressive harmonization
 - Respecting national specificities



Progressive harmonisation as a condition for stronger investments 2/2

- Non-refundable subsidies (grants and concessional loans) should be accompanied by private initiatives (e.g., private equity)
- Innovative financial instruments targeted at specific projects (e.g., sophisticated hedging instruments and derivatives trading to promote liquidity)
- Need for coordination among different regional initiatives:
 - MED-TSO
 - Desertec
 - Union for the Mediterranean (UPM)
 - European Investment Bank (EIB)
 - European Bank for Reconstruction and Development (EBRD),
 - MedGrid
 - RES4MED
 - African Development Bank
 - World Bank
 - InfraMed



Challenges to RES Development

Political

- **Weak and unstable legislative framework**
- **Geopolitical barriers**
- **Lack of experience** in the policies of green energy promotion

Economic and Financial

- **Lack of incentives**
- **Instable and/or absent electricity supply** (with subsequent black-outs and areas unserved by the electricity network)
- **Low level of investments in new projects**
- **Inability to foresee the expected return of investments**
- **Difficulties in accessing to credit**

Technological

- **Insufficient information and technological know-how** (lack of adequate personnel and poor connections between research and development institutions and commercial networks)
- **Insufficient network capacity** to integrate RES plants



Proposed Regulatory Solutions for RES integration

- Identify a national contact or **coordination authorities on cross-border trade** and transit mechanisms
- Define **non-discriminatory access rules** and **priority of dispatch**
- RES integration in the grids
- Progressive **market integration** and energy exchanges at subregional and regional level, then into the **EU SingleEnergy Market**

Conclusion

- Strategic role of Regulators in favour of economic, social and sustainable development to benefit of all consumers in the Mediterranean Basin
- Need for ambitious objectives for a stable, operational and shared regulatory framework at regional level
- Regional targets in every sector to build the action of all stakeholders in the long run
- Implementation through a “bottom-up” and step-by-step approach including realistic and harmonised targets



Thank you for your attention

Fabio Tambone
MEDREG General Coordinator

Piazza Cavour, 5

20121 Milano (IT)

Tel: +39.02.65565.291

Fax: +39.02.65565.342

E-mail: ftambone@autorita.energia.it

www.medreg-regulators.org

