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Energy Charter Expert Meeting “Removing Pre-Investment Barriers in Energy”

Panel IV - Regulatory cooperation and investment facilitation: the experience of regulators and investment promotion agencies

Infrastructure Investments in the Mediterranean: The view of Mediterranean Energy Regulators

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Supported by the European Union

Outline

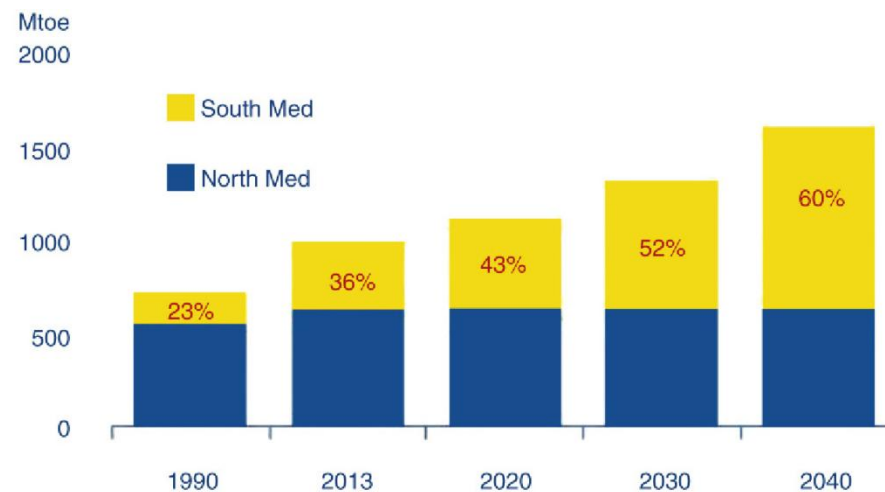
- **MEDREG: Mission and Organization**
- MEDREG Investment Report
- The UfM Energy Platforms

MEDREG



Why regulating energy in the Mediterranean?

- The Mediterranean, a region bridging Europe, Maghreb, Mashreq and the Balkans
- Regulation is necessary to implement energy policies and improve security of supply in **a context of fast growing energy demand**
- Regulation is an essential tool for the integration of energy markets and for **non-discriminatory access to infrastructure**



Source: OME (2015)

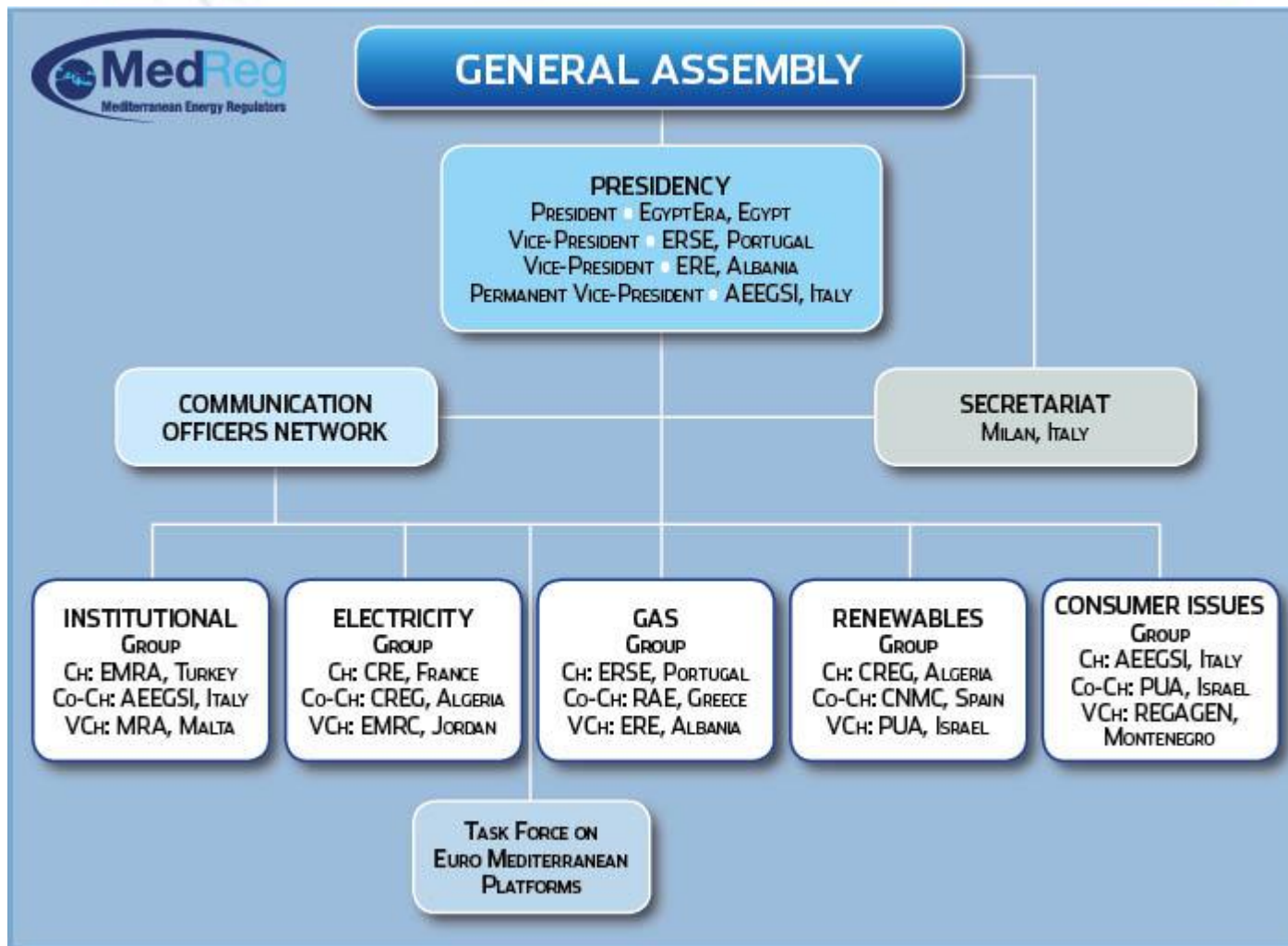
MEDREG Strategy 2030

- **A sound institutional regulatory framework** with the objective of the establishment of an independent regulator with clear powers and competences in each Mediterranean country.
- **Optimal conditions for infrastructure investments** with the perspective of a complete interconnection of all the countries.
- **Functioning, competitive and transparent electricity and gas markets** with a open market for electricity and gas in each country.
- **Efficient consumers protection** taking into account the particular situation of vulnerable consumers, with consumers able to choose between different suppliers.
- **Intensified regional cooperation** and setting up of pilot projects with common principles for market integration are defined and pilot projects are set up to test implementing them.

The role of MEDREG

- Promote an **harmonized regulatory framework**;
- Help member regulators to reinforce their institutional capacities and **independence**;
- Favor a progressive regional **integration** of Mediterranean energy markets;
- Identify and exchange **information** and good **regulatory practices**;
- Develops **studies** and in-depth analyses

How do we work?



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MEDREG Work on Investments

MEDREG elaborated a report on “**Interconnection Infrastructures in the Mediterranean: A challenging Environment for Investments**”:

- Mapping current and projected interconnection infrastructures for electricity and gas in the Mediterranean basin and analyses the challenges to finance them properly;
- Providing the vision of Mediterranean regulators on the main barriers to use efficiently existing infrastructures and to finance new projects;
- Encouraging an active debate on energy investments that reinforces synergies among main actors;
- Providing general recommendations to support strategic decisions for future plans related to energy infrastructure.

A divided environment

Absence of secure and stable legal frameworks within countries

Lack of information on market prices and transmission availability

Absence of transparent and non discriminatory access to the networks

Significant subsidization and cross-subsidization in the power sector

Different socio-economic contexts and structures of the energy sector

Missing a “de facto” independent regulator

Governments' influence on generation mix and energy prices is high

Barriers to investments

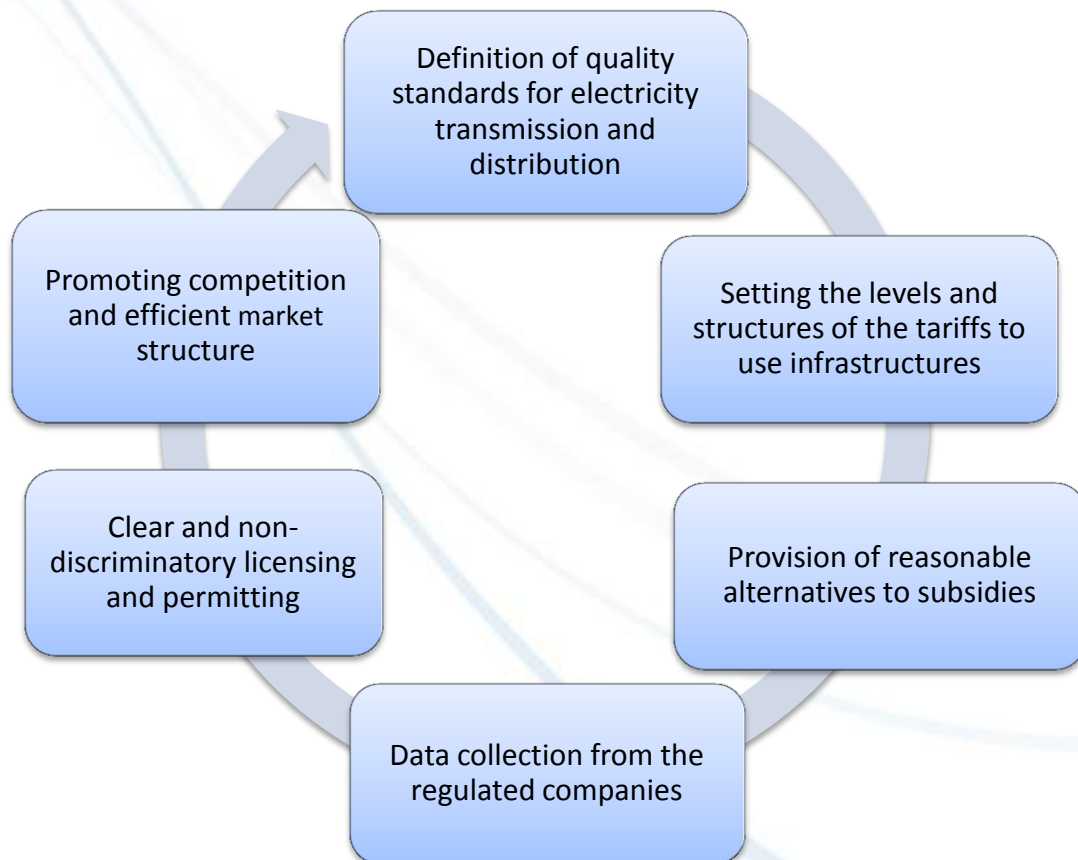
As part of the report, a public consultation was carried out with **stakeholders** regarding **barriers** that can increase investors' uncertainty and hinder the proper development of cross-border grids:

1. **Political instability and/or lack of clear institutional frameworks**, including geopolitical barriers (e.g., conflicts or tensions between countries)
2. **Lack of national reforms**
3. **Insufficient market demand** due to the underdevelopment of markets
4. **Lack of coordination and/or cooperation** (e.g., between TSOs, between TSOs and regulators)
5. **Financial feasibility of the project** (namely technical and financial feasibility, e.g., adequate revenues)
6. **Regulatory and/or legal obstacles** (e.g., administration, permitting, licensing, etc.)
7. **Lack of interest in interconnection projects from the public sector**
8. **Technical barriers**

The role of independent regulators



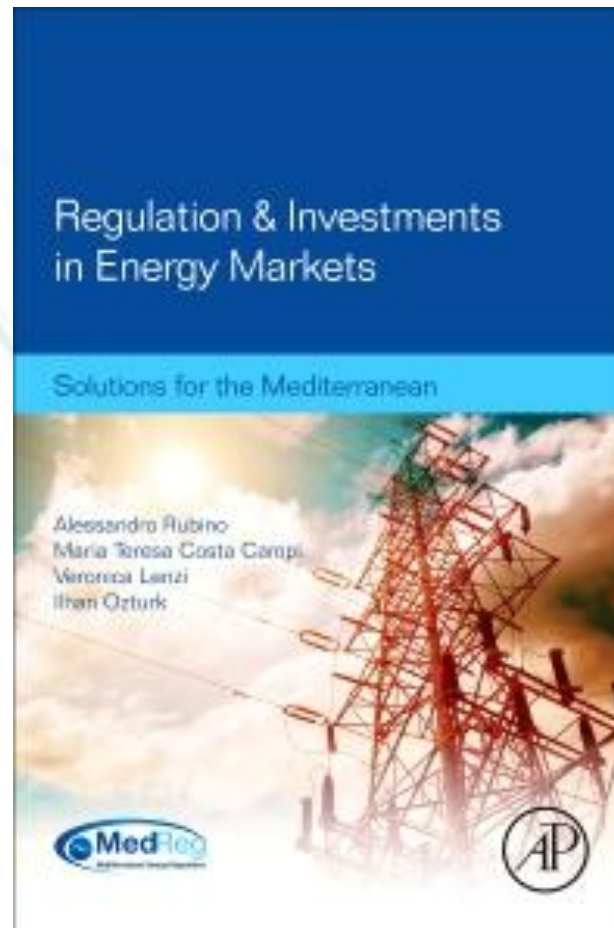
The competences of independent regulators



MEDREG recommendations

- 1. Establish competitive and reliable energy markets**
- 2. Promote deeper harmonization of national regulatory frameworks**
- 3. Increase the use of existing interconnections in the Southern shore**
- 4. Evaluate the economic benefits of building new cross-border infrastructure**
- 5. Enhance cooperation between regulators and TSOs**
- 6. Design a Ten-Year Network Development Plan for the Mediterranean region**
- 7. Support technology innovation to improve the condition of vulnerable consumers**

MEDREG Book on Regulation and Investments



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The UfM Energy Platforms

November 2014: High Level Conference on “Building a Euro Mediterranean energy bridge: the strategic importance of Euromed gas and electricity networks in the context of energy security”, which proposed

“...to invigorate the cooperation by establishing, in the context of the Union for the Mediterranean process, three thematic platforms (...) The intention is to provide a permanent high level forum for discussing energy policy objectives and measures”

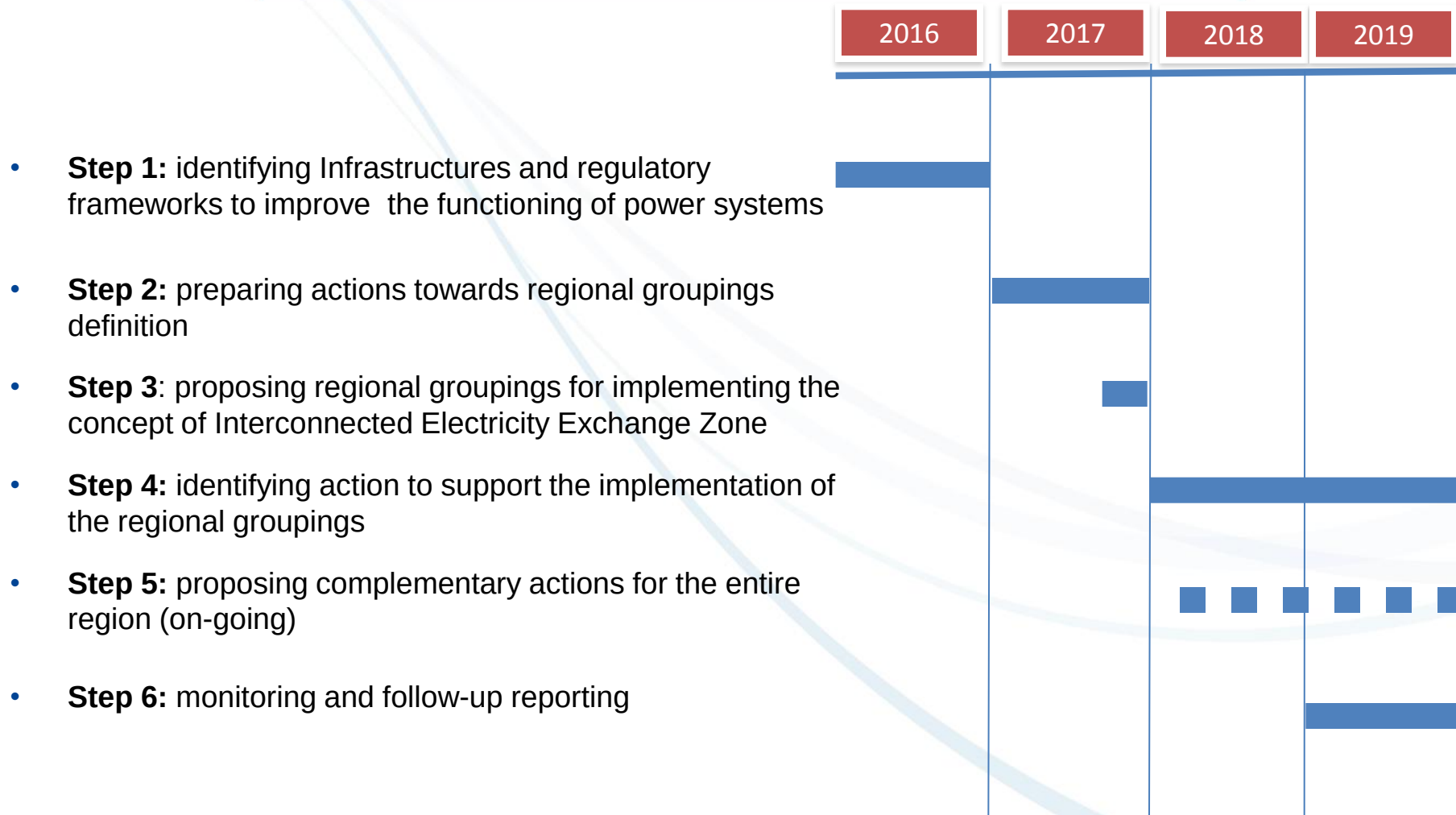
- **Gas:** to reinforce the security of gas supply and the regional gas exchanges
- **Regional Electricity Market :** to promote gradual establishment of regional and sub-regional inter-connected electricity markets
- **Renewable Energy and Energy Efficiency:** to assist in the deployment of renewable energy and energy efficiency technologies and projects

March 2015: UfM officially endorsed the Platforms

Regional Electricity Market (REM) Platform

- Evaluate and motivate the adoption of regional and sub-regional approaches, aiming at an overall integration, while respecting countries' diversity
- Develop, share and discuss possible scenarios on Mediterranean power exchange in the short, medium and long term
- Perform a cost-benefit analysis of cross-border projects in the Mediterranean region, and propose to the Euro-Mediterranean countries a list of potential candidates to be labelled as projects of common interest to obtain faster permitting procedures and easier funding

REM Work Programme





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