COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

ENHANCING EURO-MEDITERRANEAN COOPERATION ON TRANSPORT AND ENERGY

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1. INTRODUCTION

1.1 Objectives of the Communication

The specific objective of this Communication is to define the broad lines of Euro-Mediterranean cooperation in the field of transport and energy for the period 2000-2006[1]. At their conference in Malta in April 1997, the Euro-Mediterranean Ministers for foreign affairs identified transport and energy as two of the six priority sectors for regional cooperation under the heading of the economic and financial partnership[2]. This Communication is designed, firstly, to inject new momentum into the Euro-Mediterranean partnership in the transport sector and, secondly, to boost the existing momentum of the partnership in the energy sector.

On a more general level, it follows on from the Communication entitled "Reinvigorating the Barcelona Process", adopted by the Commission on 6 September 2000[3], the broad lines of which were approved by the Fourth Conference of Euro-Mediterranean Foreign Ministers in Marseilles on 15 and 16 November 2000. The Nice European Council in December 2000 confirmed the Union's commitment to developing the partnership in all areas, while the Commission for its part decided to make the Mediterranean one of its priority objectives for 2002. In this context, the Communication aims to take stock of five years of Euro-Mediterranean cooperation on transport and energy, and to propose ways of enhancing this cooperation on the basis of experience gained, the evolution of the two sectors and the recommendations contained in the above Communication[4].

Finally, the Communication should be seen in the context of the overall review the Commission is currently carrying out in the framework of the Green Paper on the security of energy supply in the European Union[5] and the draft White Paper on a common transport policy.

1.2 Euro-Mediterranean cooperation on transport and energy: the stakes

The prognoses for population growth in the 12 Mediterranean Partners (+50% by 2025 – cf. Annex 1) and for development in trade as a result both of the vigorous growth in world commerce and the creation of the Euro-Mediterranean free trade area indicate that there will be a veritable explosion in mobility and demand for

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1 2000-2006 is the reference period covered by the MEDA Regional Strategy Paper, an internal Commission working paper.

2 The four other priority areas identified are industrial policy, water, environment and the information society.

3 COM (2000) 497 final

4 The recommendations relating to transport and energy concern in particular:
- promotion of South-South and sub-regional cooperation (by sub-region: Maghreb, Mashraq; or any other sub-group of Mediterranean partners);
- the new approach recommended for infrastructure financing (joint funding MEDA (grants) / loans from international financial institutions (notably EIB and World Bank) / national governments / private sector);
- the need for greater complementarity between regional and bilateral cooperation in the framework of MEDA, notably by transferring the results of regional programmes to the MEDA bilateral programmes.

5 “Towards a European strategy for the security of energy supply”, COM(2000) 769

transport in the Mediterranean Partners in the coming decade and also in energy consumption. This will generate considerable pressure on transport and energy systems, which will go hand-in-hand with increased safety and environmental protection requirements.

According to the second report by FEMISE[6] entitled "The Euro-Mediterranean partnership in the year 2000", the next 20 years will be decisive for the greater Euro-Mediterranean region and its progress towards the objective of becoming an area of shared prosperity, as written into the Barcelona Declaration. The conditions for higher growth (of the order of 6 to 7% per annum) creating more jobs in the Mediterranean Partners primarily involve speeding up the pace of the reforms undertaken - notably of the institutional, legislative and regulatory framework - redefining the role of the State (disengagement) and correcting structural imbalances inherited from the past. Consequently, there is a need for both reform and structural measures in the area of transport and energy systems and networks.

With regard to transport networks, FEMISE considers that "transversal transport or transport by sea is either non-existent or extremely costly at the present moment. This is a crucial aspect for the development of South-South trade". The low volume of intra-regional South-South trade (between 4 and 6% of the Mediterranean Partners' trade since 1970) is largely conditioned by the inadequacy and cost of transport systems and related services.

Furthermore, the relatively low share of the Mediterranean in flows of foreign direct investment (FDI) towards the emerging countries[7] and in total direct investment by the EU is also explained by inadequate infrastructures, which have a negative impact on decisions to invest in the area.

With regard to transport, more than 80% of goods traded between the EU and the Mediterranean Partners are transported by sea, as is 95% of the Mediterranean countries' external trade (cf. Annex 2). Air transport is particularly important to the Mediterranean countries in which tourism is a major sector of the economy. Land transport links are scarcely used because of political instability in the region, the fact that certain borders are closed and the low volume of South-South trade. Finally, there are considerable disparities between Mediterranean Partners with regard to infrastructure (cf. Annex 2). For example, the density of the road transport network varies by a factor of 1 to 150 between countries (from 42 km/1000 km^2 to more than 6000 km/1000 km^2).

It is estimated that some 200 billion euros in investment will be needed in the energy sector in the next ten years on the basis of the economic growth in the countries on the southern and eastern fringes of the Mediterranean[8]. Annex 3 to this

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6 FEMISE is the Euro-Mediterranean Forum of Economic Institutes, financed through the MEDA programme. FEMISE produces regular reports containing analyses and proposals for the economic and financial dimension of the Euro-Mediterranean partnership. The second FEMISE report was published in July 2000.

7 According to FEMISE, about 7 billion dollars in FDI would be needed (i.e. a doubling) in order for the region to be included among the average for emerging countries.

8 A survey by the Mediterranean Energy Observatory of its members in 1999 put the figure at 190 billion dollars.

communication reviews developments in the region (12 Mediterranean Partners) over the period 1985-1998.

2. THE TRANSPORT DIMENSION: INJECTING NEW MOMENTUM

2.1 The political mandate given at Barcelona

Transport is a major priority under the economic and financial dimension of the Euro-Mediterranean partnership, as is clearly stated in the Barcelona Declaration and the accompanying work programme.

Under the terms of the Barcelona Declaration, the participants: "stress the importance of developing and improving infrastructures, including through the establishment of an efficient transport system ..." and "undertake to respect the principles of international maritime law, in particular freedom to provide services in international transport and free access to international cargoes."

The work programme in the annex to the Declaration provides for cooperation in the transport sector focusing on:

- "development of an efficient trans-Mediterranean multimodal combined sea and air transport system, through the improvement and modernisation of ports and airports, the suppression of unwarranted restrictions, the simplification of procedures, the improvement of maritime and air safety, the harmonisation of environmental standards at a high level including more efficient monitoring of maritime pollution, and the development of harmonised traffic management systems;

- development of east-west land links on the southern and eastern shores of the Mediterranean; and

- connection of Mediterranean transport networks to the trans-European network in order to ensure their interoperability."

Thus the key points of the Barcelona mandate for the transport sector are: infrastructures; organisation of transport operations and freedom to provide international transport services; safety and environmental protection.

2.2 Five years of Euro-Mediterranean cooperation in the transport sector

The actions taken at the regional level and the results obtained to date fall far short of the Barcelona mandate, even though a framework for fresh momentum has been put in place with the Euro-Mediterranean Transport Forum.

Sea transport

Following a meeting of the Euro-Mediterranean Partners in Cyprus in October 1996, a package of regional projects on sea transport was submitted in June 1997 to the MED Management Committee, which approved funding by MEDA (8.4 million euros). These projects - some ten in all - concern mainly technical and safety aspects, in particular port information systems, hydrographical studies, research and training, statistics, port management, dangerous goods and waste collection, maritime administration and flag state policy. While some projects have already been completed or are being implemented, the launch of some other scheduled activities (projects relating to maritime safety, strengthening of maritime administrations and flag state policy) has been delayed for administrative reasons that will be resolved shortly. Overall, the mid-term balance of these actions is modest, given their size (microprojects) and scope (*ad hoc* measures lacking overall coherence).

Statistics

MEDSTAT (regional cooperation project between Euro-Mediterranean statistical institutes, coordinated by Eurostat and financed by MEDA to the tune of 20 million euros over the period 1996-2000) has launched a sub-project, “Med-Trans”, designed to establish cooperation on transport statistics in the Mediterranean area in order to meet the demand for information on this subject. Three years down the line, Med-Trans has created a network of Euro-Mediterranean statisticians who have learned to work together with the various institutions involved in the statistics production process (statistical offices, ministries of transport, port and airport administrations, etc). This has led, following work to harmonise data, to the establishment of an initial database of transport statistics in the Mediterranean[9].

Creation of the Euro-Mediterranean Transport Forum

The Euro-Mediterranean Transport Forum[10], which was set up at the end of 1998, is the reference forum for developing regional cooperation in the transport sector. Its mandate is to draw up an action plan for transport in the Mediterranean area - covering proposals for measures, the resources to carry them out and a timetable - to monitor its implementation, promote exchanges of information and experience and to ensure that the results of the action taken are disseminated. This Forum, which meets annually, has had two technical meetings since it was set up (Malta, March 1999; Brussels, November 2000). The Brussels Forum approved the setting up, from 2001, of working parties on certain priority cooperation issues.

Sub-regional cooperation

On the margins of the Barcelona Process, an institutional framework for sub-regional cooperation in the western Mediterranean also evolved after 1995: the GTMO (Group of Transport Ministers for the Western Mediterranean[11]) which has enabled progress to be made on the sub-regional level.

There is no equivalent framework at present for the eastern Mediterranean.

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9 Eurostat has published a summary of these statistics entitled «Transport trends in the Mediterranean countries» (OOPEC, 1999, catalogue number: CA-23-99-306-EN-C-EN).

10 The Euro-Mediterranean Transport Forum is composed of representatives of the 27 Euro-Mediterranean partner countries, the European Commission, international financial institutions (EIB, World Bank) and the international organisations concerned (notably IMO, ICAO, UNECE).

11 The GTMO comprises the transport ministers of France, Italy, Spain, Portugal, Morocco, Algeria and Tunisia.

Bilateral cooperation has also remained limited, Lebanon being the only Mediterranean Partners to have included a transport component in its bilateral cooperation with the EU[12].

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Very few specific measures have therefore been initiated so far under the transport dimension of the Euro-Mediterranean partnership. Every effort should be made to use the new institutional framework provided by the Euro-Mediterranean Transport Forum and the fresh impetus given to the partnership by the communication "Reinvigorating the Barcelona Process" in order to relaunch Euro-Mediterranean cooperation in the transport sector.

2.3 Areas in which specific measures could be taken

2.3.1 Support to the reform of the transport sector in the Mediterranean Partners

This is a crucial area to the extent that many bottlenecks in the Mediterranean transport system are due to inappropriate sectoral policies (influence of the State, insufficient competition, inadequate institutional and regulatory frameworks). In addition, a favourable climate for private investment should be promoted by encouraging reform of transport in the southern Mediterranean. Three points are fundamental in this context:

– adaptation of the institutional, legislative and regulatory framework, notably in order to remove barriers to the freedom to provide transport services and to modernise management of traffic flows;

– approximation of social, technical, environmental and safety standards and monitoring of their application by the national authorities in order to avoid distortions of competition;

– improvement of the interface between transport services and the customs and immigration authorities, banking and insurance sectors.

2.3.2 Definition and promotion of a multimodal trans-Mediterranean transport network

Another basic objective of the transport dimension of the Barcelona Declaration concerns the definition, initially, of a multimodal air-sea transport plan, given that air and sea transport are the key elements of a transport system organised around an enclosed sea. In a second phase, this plan would be supplemented by overland links, crucial to the development of South-South trade. Attention should focus in particular on the importance of rail-sea connections (linking ports with their hinterland). This network will have a trans-Mediterranean dimension (interconnection with the Trans-European Networks or TENs) and a South-South dimension. For the purposes of devising this network, account should also be taken of the review already carried out in the framework of sub-regional cooperation (cf. 2.2) and the Third Pan-European Transport Conference held in Helsinki in June 1997.

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[12] The ARLA Project (Assistance to the Reform of the Lebanese Administration) has a transport component.

Infrastructure, whether the improvement of existing links or the construction of new infrastructure (missing links), holds the key not only to investment in this particular sector, but also to decisions to invest in the Mediterranean Partners in general. MEDA funding, which can undoubtedly play a catalytic role in this area, is not normally used directly to finance physical infrastructure (hardware). Thus an in-depth study on how to finance infrastructure is necessary, in particular on ways of encouraging public-private partnership.

In this context, a new approach should be taken to infrastructure financing in future, combining the available sources of funding in optimum fashion[13].

It is also important to stress that any development of infrastructures must always be accompanied by a comprehensive environmental impact assessment of a standard approaching that required in the EU[14].

2.3.3 Sea and air transport

a) Maritime and aviation safety

The recent disasters at sea (Erika, Ievoli Sun) highlighted the need to improve the safety of shipping, and of the transport of oil and chemicals in particular. This concern is all the more acute in the Mediterranean, an enclosed sea with a fragile ecological balance. There is a great deal of oil tanker traffic in the Mediterranean, and a disaster of the Erika type would have irreparable consequences on this fragile environment. The current situation (oil tanker traffic, application of the safety measures adopted by the International Maritime Organisation) must be examined at the Euro-Mediterranean level, together with the possibility of implementing the measures from the Erika I and II packages in the Mediterranean (Erika I: double-hull tankers, more stringent port control, stricter control of classification societies; Erika II: establishment in particular of a vessel monitoring, control and information system - VTMIS).

A similar review must be carried out in the field of sea passenger transport, taking account of the volume of traffic at certain strategic points such as straits (Gibraltar, Bosporus and Dardanelles).

Experience developed in the European Union in the aviation sector could also be usefully shared with the Mediterranean Partners in order to strengthen the national authorities' control over aviation safety. The Commission is already engaging in such cooperation with the countries of central and eastern Europe under the PHARE programme, notably as regards standards issued by the Joint Aviation Authorities. This experience could constitute a useful basis for developing Euro-Mediterranean cooperation in this area. Progress towards European levels of safety and performance in air transport in the southern Mediterranean might also require support from the Union in the field of air traffic management, particularly as regards the acquisition

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[13] In this context, as pointed out in the Communication "Reinvigorating the Barcelona process", MEDA funds can be used for preparatory work and feasibility studies on regional infrastructure projects concerning interconnection with TENs (Trans-Mediterranean dimension) and/or mutual interconnection of national systems (South-South). The main responsibility for financing infrastructure proper will remain with the EIB and other public (national governments in particular) and private investors.

[14] Cf. Directive 85/337/EEC, as amended by Directive 97/11/EC

and mastery by the Mediterranean Partners of the new techniques being put in place in Europe.

b) Short-sea shipping

Short-sea shipping is of strategic importance in the Mediterranean, in view of the distances involved and the fact that there are no practicable overland routes in many cases. Short-sea services are also a key part of the multimodal transport chain (road/sea or rail/sea). It is clear that any increase in trade - and hence transport - flows in the region will result in increased use of this transport mode. Last but not least, short-sea shipping is an environment-friendly transport mode, which provides cheaper services than other modes.

Action can be taken at three levels to make this transport mode more attractive:

– technical level (optimisation of loading units[15] and the speed of ships in particular);

– administrative level (administrative and customs documents, use of electronic data interchange, international documentation, creation of administrative assistance offices in ports);

– and regulatory level, particularly in ports. Reference is made in this connection to the measures contained in the Commission's communication on short-sea shipping[16] and the examination in progress at Community level of non-discriminatory and transparent access to the port services market.

c) Approximating air transport policies at Euro-Mediterranean level

This is a crucial area given the tourism potential of the Euro-Mediterranean region and the importance of facilitating relations between the economic actors concerned. The Euro-Mediterranean framework should enable discussions to begin at the regional level on progressive liberalisation of air transport, in the light of the EU's positive experience with the multilateral negotiations with the countries of Central and Eastern Europe and Cyprus.

2.3.4 Global navigation satellite system (Galileo)

Extending the global navigation satellite system to the Mediterranean area has, from the outset, been seen as an important instrument in the creation of a trans-Mediterranean transport network and coherent multimodal transport systems. With the development of the Galileo programme[17], Euro-Mediterranean cooperation

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[15] In order, particularly through joint research and development actions, to define the optimum size of loading units in the framework of existing legislation at Community level.

[16] COM(1999) 317 final. The measures recommended include concentrating administrative procedures in the hands of a single authority and the possibility of carrying out unloading before administrative formalities are completed.

[17] Galileo is the second generation European satellite navigation and positioning system, comprising a totally independent system with its own satellite infrastructure. Following a definition phase - financed jointly by the EU and the European Space Agency - to be completed at the end of 2000 and a validation phase (2001-2005), Galileo should become operational in 2006 and will incorporate EGNOS (European Geostationary Navigation Overlay Service). EGNOS, which will be operational in 2002, is the first European satellite navigation initiative, consisting of an improvement in the services provided by the

in this area is even more crucial. Galileo will have a major impact on managing capacity and traffic flows, safety, the environment and efficiency of transport systems. Priority needs to be given in this context to studying ways of associating the Mediterranean Partners with Galileo, and of analysing the effects of their involvement on national and regional transport systems.

3. THE ENERGY DIMENSION: BOOSTING THE EXISTING MOMENTUM

3.1 Energy in the framework of the Euro-Mediterranean partnership - The political mandate given at Barcelona

There are two main reasons for developing close collaboration with the 12 Mediterranean Partners in the energy sector:

- Geographical proximity to Europe's southern flank is a crucial factor, given the importance of transit of energy sources from other neighbouring regions such as the Gulf and Caucasus.

- The cumulative volume of oil and gas reserves in the Mediterranean Partners is an important guarantee of supplies to the EU.

In the context of setting up the Euro-Mediterranean free trade area (FTA), the ultimate objective of the economic and financial chapter of the Barcelona Declaration, energy is seen as a decisive facet of the Euro-Mediterranean partnership. The Barcelona Declaration stresses that the participants "acknowledge the pivotal role of the energy sector in the economic Euro-Mediterranean partnership and decide to strengthen cooperation and intensify dialogue in the field of energy policies. They also decide to create the appropriate framework conditions for investments and the activities of energy companies, cooperating in creating the conditions enabling such companies to extend energy networks and promote link-ups".

However, the Mediterranean Partners differ greatly as to their external trade in energy. Some of them are net energy exporters (Algeria, Egypt), others are in balance (Tunisia, Syria), while the remainder are obliged to import energy sources (Morocco, Malta, Lebanon, Israel, Jordan, Palestinian Authority, Cyprus and Turkey).

Overall, the Mediterranean Partners are characterised by a substantial increase in energy consumption, in particular electricity, and according to the forecasts this is set to continue in future[18]. Consequently, to satisfy this demand, additional financial resources will be required, which will have to be mobilised from private, bilateral or multilateral sources.

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existing GPS and GLONASS systems, based on a increase in regional stations relaying these signals. Unlike GPS, EGNOS and Galileo are systems for civil use.

18 Of the estimated 190 billion dollars in energy investments needed in the Mediterranean partner countries in the coming ten years, the Mediterranean Energy Observatory estimates that almost 110 billion will be mobilised in the electricity sector alone, of which 70 billion for electricity production.

3.2 Five years of Euro-Mediterranean cooperation in the energy sector

As in the transport sector, a Euro-Mediterranean Energy Forum was set up in the wake of the Barcelona Declaration[19].

Since its establishment in 1997, the Energy Forum has become the reference body with regard to the development and direction of Euro-Mediterranean cooperation on energy.

The Action Plan for the period 1998-2002, approved by the Conference of Ministers held in Brussels in 1998, contains initiatives for Euro-Mediterranean energy cooperation and constitutes the reference for the work of the Forum. It proposes specific measures concerning political and administrative cooperation on the one hand and cooperation at the level of industry on the other. With regard to political and administrative cooperation, it focuses on adapting the Mediterranean Partners' institutional and legislative framework and on preparing, in the context of the Forum, guidelines for Euro-Mediterranean energy policy. In the case of industry, it stresses the need for undertakings to adapt to the market (increase in demand in particular), to include the concept of energy efficiency in their thinking and to engage in cooperation at Euro-Mediterranean level.

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As in the transport sector, the start-up phase of the Barcelona Process has above all concentrated on putting the energy cooperation instruments in place. However, there has been a change of gear since the Granada Forum, with the focus of cooperation shifting firmly to action on a number of priority cooperation issues.

3.3 Definition of priorities: Follow-up to the Granada Forum

The third meeting of the Forum, held in Granada (Spain) in May 2000, gave new impetus to Euro-Mediterranean energy cooperation and approved guidelines for three *ad hoc* working parties that will begin work in 2001.

The Granada Forum also reaffirmed the priority character of the following themes:

- Reform of the legislative and regulatory framework, and restructuring of the Mediterranean Partners' energy industry.

The Member States of the EU recently carried out radical reform of the legal and regulatory framework of their energy sectors[20]. In the case of the Mediterranean Partners, the energy sector is still generally characterised by a centralised, State-controlled monopoly. This constitutes a major disincentive to inflows of foreign direct investment, which is crucial in order to increase the production capacities needed to satisfy the growing demand for energy, particularly in the electricity sector. The Mediterranean Partners must therefore embark on a global

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[19] The Energy Forum comprises representatives of the 15 Member States of the Union and the 12 Mediterranean partners at the level of Director-General. Financed by MEDA, it is the main instrument for promoting dialogue between the EU and the Mediterranean partners on energy issues.

[20] This reform process was speeded up by the adoption in December 1996 of the EU Directive on the internal market in electricity (96/92/EC) and in June 1998 by the Directive on the internal market in gas (98/30/EC).

reform process in order to meet the requirements of competitive markets, leading to the creation of an appropriate framework that can meet the international investment criteria. In this context, account should be taken of the EU's experience in reforming the energy sector. A number of liberalisation measures in particular need to be implemented at national level:

* establishment of independent regulatory authorities;
* separation of production, transport, distribution and sales activities;
* progressive introduction of competition in the production and distribution sector;
* reduction of subsidies and tariff reforms in order to bring prices into line with costs;
* promotion of private participation, notably by licensing independent power producers (IPP) to operate in the generating segment.

- Convergence of the energy policies of the EU and the Mediterranean Partners

Looking ahead to the creation of a Euro-Mediterranean free trade area, convergence is above all necessary with regard to security of supply, business competitiveness and the environmental approach. The European Union is therefore encouraging the Mediterranean Partners to accede to the Energy Charter Treaty, which is the reference framework for security of supply and promotion of investment.

- Integration of the Mediterranean markets and development of interconnections

This objective, which is directly linked to security of energy supply in the region, is included in the "Common Strategy of the European Union on the Mediterranean region”[21], according to which the Union plans to “support the interconnection of infrastructure between Mediterranean Partners, and between them and the EU, drawing on the experience of trans-European networks (TENs) in transport, energy and telecommunications". It is also part of the energy strategy outlined in the Green Paper on the security of energy supply in the Union, adopted by the Commission on 29 November 2000[22]. It can be achieved by strengthening cooperation between industries in the EU and the Mediterranean Partners, focusing primarily on developing both North-South and South-South interconnections. Support from the international financial institutions, in particular the European Investment Bank, should also concentrate on developing and modernising energy production and transport infrastructures. Finally, in the same vein, enlargement of INOGATE[23] to

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[21] This common strategy was adopted in June 2000 by the European Council in Santa Maria da Feira.

[22] COM(2000) 769, see Part Three, II/B/3 “Ensure external supplies”.

[23] Interstate Oil and Gas Transport to Europe (INOGATE) is an EU programme launched in 1995 to promote the construction and interconnection of oil and gas transport infrastructures between the EU and the regions of the Caspian Sea, Black Sea, Mediterranean and South-East Europe. INOGATE gave rise to an international agreement (INOGATE Umbrella Agreement), which has so far been signed by 17 countries of South-East Europe – including Turkey - the Caucasus and Central Asia, and provides a framework for solving questions relating to the operation, maintenance and safety of said infrastructures.

the Mediterranean countries will be considered, as discussed at the INOGATE Conference in Athens in June 2000.

- Sustainable development of the Mediterranean Partners and use of renewable energy sources.

The objective of a sustainable development model for the Mediterranean Partners is based on energy efficiency requirements, energy saving and environmental protection. Achieving it will require action to improve the efficiency of the electricity production process, significantly reduce electricity network losses and control greenhouse gas emissions.

The use and promotion of renewables, based on the specific potential of the Mediterranean region (in particular solar and wind energy), should make a significant contribution to restructuring of the sector while improving environmental protection. The development of renewables will also contribute to efforts to diversify energy sources, with a view to enhancing security of supply in the Euro-Mediterranean region and reducing the dependence of some Mediterranean Partners on external energy supplies. Finally, the use of renewable energy sources has a public service dimension, as it facilitates access by isolated rural populations to the electricity network.

Moreover, the debate in the EU on the Kyoto objectives concerning the possible use of flexible mechanisms, and the clean development mechanism in particular, could open up new avenues for cooperation with the Mediterranean Partners.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 Transport sector

While the foundations for the Euro-Mediterranean free trade area are progressively being put in place (progress in the conclusion and entry into force of bilateral association agreements, dismantling of tariff barriers in progress in most countries) and the prospects for accession to the EU of certain Mediterranean Partners (Turkey, Cyprus, Malta) are becoming clearer, the upgrading of transport systems in the countries on the southern shores of the Mediterranean appears more urgent than ever.

This upgrading is based on a combination of structural measures (networks and infrastructures) and reform (adaptation of the institutional, legislative and regulatory framework; compliance with international standards). In fact these two types of action are interdependent in that the increase in investment flows required to develop infrastructures depends to a large extent on reform of the transport sectors in the Mediterranean Partners. Furthermore, while the basis for this approach is multimodal, particular attention must nevertheless be devoted to maritime transport in view of its predominance in Euro-Mediterranean transport of goods, and to air transport because of its predominant role in passenger transport.

In this context, the regional cooperation framework provided by the Barcelona Process - of which the Euro-Mediterranean Forum is the keystone - and the resources available under the MEDA programme can and must act as a catalyst. The statistical network created by the Med-Trans project will support this process through providing the statistics, indicators and benchmarks necessary to bring about enhanced cooperation in this area.

4.2 Energy sector

The Mediterranean Partners are at a stage where their energy sector requires radical adjustment. Reform must be based on liberalising the sector, restructuring the energy industry and developing renewable energy sources. The development of energy production and transmission interconnections is also a priority in terms of security of supply at Euro-Mediterranean level. The EU must make every effort to encourage the Mediterranean Partners to accede to the Energy Charter Treaty and INOGATE.

In accordance with these principles, the EU has put in place the appropriate instrument (the Euro-Mediterranean Energy Forum) to ensure ongoing dialogue. This dialogue is designed to promote debate and the exchange of ideas with the Mediterranean Partners on the measures most suited to stimulate and accompany the reform process in the energy sector.

Annex 1 : Area and population of the EU and Mediterranean Partners

Source MEDSTAT	Area (km^2)	Population 1998 (Million)	Population projection 2025
EU (15 Member States)	3 240 000	374.6	388.3
MED (12 Mediterranean Partners)	5 400 000	225.6	338.3

Annex 2 : Transport in the Mediterranean region

Euro-Mediterranean transport of goods: breakdown 1997 figures	Flows	Sea	Air	Road	Rail
Volume	163 million tonnes	83%	0.2%	4.24%	0.67%
Value	€110 million	53%	16%	23%	0.84%

Passenger transport at Euro-Mediterranean level 1997 figures	Air	Sea
Million	86	8.5

MEDSTAT statistics

Transport infrastructure indicators for the Mediterranean Partners					
	Road network		Rail network		
Countries	**Length (km)**	**Density(km /1000 km2)**	**Length**	**Density(km /1000 km2)**	Notes
Algeria	100 992	42.40	4 219	1.77	
Cyprus	10 654	1 151.66	-	-	
Egypt	44 498	44.43	4 810	4.80	
Israel	15 464	698.31	962	43.44	
Jordan	7 519	84.16	386	4.32	Note 1
Lebanon	6 359	608.40	-	-	
Malta	1 972	6 240.51	-	-	
Morocco	57 520	80.92	1 907	2.68	
Palestinian Authority	2 055	342.60	-	-	
Syria	41 451	223.84	2 767	14.94	
Tunisia	18 997	122.24	1 860	11.97	
Turkey	382 000	468.95	8 607	10.57	
MED	**683 122**	**128.00**	**20 708**	**5.51**	Note 2
Notes					
1. Length of the rail network: Hijazi network only					
2. Density of the MED rail network: the figures do not take account of the countries without a rail network.					

Source : MEDSTAT. Full statistics are available in the Eurostat publication «Transport trends in the Mediterranean countries» (OOPEC, 1999, catalogue number: CA-23-99-306-EN-C-EN). These statistics were prepared by Eurostat and CESD-Roma in collaboration with the National Statistical Institutes of the Mediterranean Partners.

Annex 3: Development of the energy situation in the region (12 Mediterranean Partners) 1985-1998.

Mediterranean Basin (12 Mediterranean Partners)

Gross domestic consumption	1985		1990		1995		1996		1997		1998	
	Million toe	%	Million toe	%	Million toe	%	Million toe	%	Million toe	%	Million toe	%
Total	**117.7**	**100.0**	**152.4**	**100.0**	**180.3**	**100.0**	**189.7**	**100.0**	**198.7**	**100.0**	**207.3**	**100.0**
Solid fuels	16.3	13.8	22.1	14.5	23.8	13.2	27.4	14.4	30.1	15.2	31.9	15.4
Oil and oil products	73.4	62.4	89.6	58.8	103.7	57.5	107.0	56.4	108.8	54.7	112.2	54.1
Natural gas	15.4	13.1	27.1	17.8	37.5	20.8	39.2	20.7	43.4	21.8	46.2	22.3
Nuclear	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Renewables	12.5	10.6	13.8	9.1	15.5	8.6	16.2	8.5	16.3	8.2	16.6	8.0
Other fuels	0.2	0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.2	0.1	0.3	0.1

Electricity production (TWh)	1985		1990		1995		1996		1997		1998	
	TWh	%	TWh	%	TWh	%	TWh	%	TWh	%	TWh	%
Total (TWh)	**121.3**	**100.0**	**172.1**	**100.0**	**239.2**	**100.0**	**258.3**	**100.0**	**277.7**	**100.0**	**296.9**	**100.0**
Nuclear	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Conventional thermal	95.9	79.1	131.0	76.1	183.1	76.6	196.0	75.9	215.2	77.5	231.4	77.9
Hydro, wind, solar & geothermal	25.4	20.9	41.1	23.9	56.1	23.4	62.4	24.1	62.6	22.5	65.5	22.1
Coal	24.9	20.5	33.4	19.4	53.0	22.2	58.8	22.8	64.7	23.3	70.0	23.6
Oil products	47.1	38.8	49.5	28.8	56.2	23.5	56.7	21.9	60.5	21.8	68.2	23.0
Natural gas	23.9	19.7	48.1	27.9	73.7	30.8	80.3	31.1	89.7	32.3	93.0	31.3
Biomass and other	0.0	0.0	0.0	0.0	0.2	0.1	0.2	0.1	0.3	0.1	0.3	0.1

Energy dependence (%) (IEA-OECD figures)	**1985**	**1990**	**1995**	**1996**	**1997**	**1998**
All fuels	-45.7	-37.6	-23.8	-22.4	-23.0	-21.2
Solid fuels	34.7	41.5	47.9	50.8	54.3	54.8
Oil and oil products	-53.9	-44.8	-24.9	-23.5	-22.6	-18.3
Natural gas	-129.2	-96.3	-75.6	-79.3	-86.8	-89.2