



**MEMORANDUM OF UNDERSTANDING
ON STRATEGIC PARTNERSHIP ON ENERGY
BETWEEN THE EUROPEAN UNION
AND THE ARAB REPUBLIC OF EGYPT.**

**Memorandum of Understanding
on Strategic Partnership on Energy
between the European Union and the Arab Republic of Egypt**

Having regard to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Arab Republic of Egypt, of the other part (“Association Agreement”) and in particular its Article 53 regarding energy;

Considering the EU-Egypt Action Plan endorsed on 6 March 2007 by the EU-Egypt Association Council in the context of the European Neighbourhood Policy (ENP) and in particular its section 2.3.b on objectives and actions for energy cooperation;

Noting the conclusions of the 8-9 March 2007 European Council on the Energy Policy Action Plan 2007-2009 which emphasised enhancing the energy relationship with Egypt as an essential element for developing the EU’s external energy policy and security of energy supplies;

Recognising Egypt’s active participation in the ongoing Euro-Mediterranean energy cooperation and its important role in energy production and transit in the Euro-Mediterranean energy market;

Considering the important involvement of the EIB and FEMIP in the Egyptian energy sector as well as in the Euro-Mediterranean energy cooperation.

Whereas:

- 1 - The EU and Egypt face common energy policy challenges. The diversification and security of energy supplies, transportation and markets, the deepening of energy market reforms, the development and modernisation of energy infrastructures, improving energy efficiency, energy savings and the use of renewable energy sources are key concerns and opportunities for both sides. An enhanced energy cooperation between the EU and Egypt could contribute to reinforcing energy security and sustainable development in the EU and Egypt.
- 2 - Egypt and the EU agree in the context of the EU-Egypt ENP Action Plan to develop their relations in the energy sector in the following areas:
 - cooperate in the development of an overall long term energy strategy converging towards EU energy policy objectives and covering all energy sub-sectors
 - support the Egyptian reforms as well as optimise and strengthen its institutions in the energy sector;
 - gradually cooperate on convergence of electricity and gas markets as well as oil legislation through, inter alia, exploring possibilities for legal and regulatory convergence towards the principles of the EU internal energy market,

- cooperate on development of reliable and efficient, domestic energy networks and transit networks towards the EU market;
 - cooperate on converging their policies on energy efficiency as well as renewable and alternative energy sources including technological cooperation
- 3 - Egypt is the sixth largest supplier of gas to the EU. The EU and Egypt share mutual interest in developing a comprehensive joint initiative aiming at increasing the security of gas supplies through, inter alia, the promotion of utilization of renewable energies in Egypt.
- 4 - Egypt is an active participant in the development of Euro-Mediterranean electricity and gas networks. The increasing maturity of the Euro-Mediterranean energy markets is expected to stimulate the economic development of the region and enhance Egypt's role as a hub and an energy supplier and transit partner. Egypt is also a key partner in the development of the Arab Gas Pipeline, together with Jordan, Syria, Lebanon and Turkey. This pipeline is strategically important as an additional route for supplies of natural gas from Egypt as well as other suppliers from the region towards the European markets.
- 5 - The electricity sector in Egypt requires significant investments in generation and transmission capacities in order to meet growing demand in Egypt and in the wider region, as well as to make practical progress towards its convergence with the EU electricity market.
- 6 - Egypt is implementing a policy for the promotion of renewable energy sources aiming to achieve a target of 3% of its electricity production needs from renewable sources by 2010 to reach 20% by 2020 as well as to converge towards the EU objectives in this area. The EU has a leading role in the development of renewable energy technologies and has recently confirmed that greater use of renewable energies is a key priority for its energy policy. The 2007 Action Plan on an Energy Policy for Europe, which has been endorsed by the EU leaders, sets ambitious targets for the use of renewable energy (20%) and of bio fuels (minimum 10%) until 2020.
- 7 - Egypt aims to improve energy efficiency in both production and consumption and to exchange experience with the EU in this field. The EU has set an ambitious plan for reducing energy consumption in the Union by 20% before 2020, and wants to promote a major energy efficiency initiative at international level.
- 8 - The Supreme Energy Council, as an institutional coordination mechanism between bodies in charge of energy production and consumption, is in charge of developing and monitoring a dynamic energy policy for Egypt.
- 9 - Egypt is implementing reform measures in the energy sector, including through energy pricing, a gradual reduction of energy subsidies and privatisation.

Both sides resolve to give priority in their cooperation in the period 2009-2015 to the following areas:

- 1 - Development of a *comprehensive Egyptian energy strategy*, which will include inter alia objectives for institutional capacity building and energy market reform in view of improving energy security and sustainable development
- 2 - Establishment of a work program for the gradual convergence of Egypt's energy market regulations with those of the EU ;
- 3 - Development of a wide-ranging policy with relevant joint measures and projects in the field of *energy demand management, energy efficiency and renewable energy sources*;
- 4 - Development of *energy networks aimed at improving the energy security of Egypt and the EU* as well as transit through Egypt and from the Mashrek region to the EU;
- 5 - Enhancement of *technological, scientific and industrial cooperation*.

1. Development of a comprehensive energy strategy for Egypt

- 1.1. Both sides will cooperate with a view to developing a “Green Book” on Egypt's sound energy policy options based on the instruments of energy statistics, forecasting and modelling and covering, inter alia, the issues of energy demand, the energy mix, energy infrastructures, energy efficiency and possible reforms in Egypt's energy sector including energy pricing, the gradual reduction of energy subsidies, privatisation and attraction of investments taking into consideration socioeconomic and environmental impacts.
- 1.2. Both sides will then conduct the necessary consultations and discussions with the stakeholders and public on the policy options proposed in the “Green Book” in order to develop a comprehensive energy strategy for Egypt for the period 2009 – 2030. This strategy will include all types of energy as well as institutional capacity building and market reform measures.
- 1.3. Both sides will cooperate in view to define an action plan, in the form of a White Book to be endorsed by the Egyptian authorities, outlining concrete measures for the implementation of the Egyptian energy strategy over the period 2009 – 2015.
- 1.4. Both sides will cooperate with a view to ensuring an effective follow up mechanism for the implementation of the action plan, inter alia through regular monitoring and adequate tools bearing in mind the evolving international energy context.

2. Establishment of a work program for the gradual convergence of Egypt's energy market regulations with those of the EU.

- 2.1. Both sides will devote their best endeavours to enable the gradual convergence of the regulations pertaining to the Egyptian energy market with the European Union's internal energy market regulations, as well as closely-related regulations, within a timetable to be agreed upon by both sides. The EU will provide assistance to help achieve this objective, within the context of the Association Agreement and the ENP Action Plan.
- 2.2. In order to allow for a smooth and socially responsible transition from the existing energy market structure to an open and competitive market, Egypt will also endeavour to address the following issues:
 - a) Reform of electricity tariffs and gas pricing;
 - b) Identifying ways of easing the impact of reforms on vulnerable customers
 - c) The reduction of unregulated losses and network losses;
 - d) Measures to improve the collection of electricity and gas bills;
 - e) Improving energy efficiency and energy savings;
 - f) Enhancing the security of energy supply, including the diversification of energy sources through, e.g. renewable sources;
 - g) Optimisation of the energy mix in electricity generation with a view to increasing efficiency, environmental safety, operational reliability, affordability and security of electricity supply.
- 2.3. With a view to facilitating the creation of open, transparent and competitive energy markets, Egypt and EU will cooperate to strengthen the role and capacity of The Egyptian Utility and Consumer Protection Regulatory Agency as well as develop an oil and gas regulator. Forthcoming regulatory reforms will take into account the basic principles of the EU's gas and electricity regulations.
- 2.4. The EU instruments of Twinning and TAIEX will be used to provide technical support to the relevant Egyptian state bodies (i.e. ministries and regulators) in the field of energy concerning the implementation of the objectives mentioned above.

3. Development of a wide-ranging policy with relevant joint measures and projects in the field of energy demand management, energy efficiency and renewable energy sources

- 3.1. Both sides attach particular importance to setting in place a sustainable energy policy in Egypt's energy sector including the necessary legislative and regulatory and institutional framework for:
 - a) the energy demand management and promotion of energy efficiency,
 - b) the development of renewable energy sources.

- 3.2. Both sides note their respective commitments to the UN Framework Convention on Climate Change and will make use of the appropriate mechanisms provided by the Kyoto Protocol.
- 3.3. The EU is prepared to offer its experience in this field, including in the area of research, technology & development and, in this context, note is taken of the EU's action plan on energy efficiency, the targets established on renewable energy sources and the Commission's Biomass Action Plan as set out in the Action Plan on Energy approved by the European Council in March 2007.
- 3.4. Egypt and the EU, through their specialized agencies, will:
 - a) exchange information and expertise on the development of policies that may have an impact on the production, processing, technology transfer and the use of renewable energy sources with focusing on wind and solar energy.
 - b) cooperate in identifying the untapped renewable energy potential in Egypt, and developing mechanisms for effective introduction of renewable energy into the Egyptian electricity market, as well as to jointly promote renewable energy projects of common interest such as in the wind and solar sectors, including studying mechanisms to support Private-Public-Partnership (PPP) in this field.
- 3.5. On the basis of recommendations and as a follow-up of the Energy Efficiency and Greenhouse Gas Reduction Programme (GEF/UNDP), the EU and Egypt will cooperate on the establishment of an energy efficiency agency. This agency will be responsible, among other things, for research and development in both supply and demand sides, and to develop an action plan, including the financial plan, for improving energy efficiency.
- 3.6. The regional Center of Excellence for Renewable Energy and Energy Efficiency, established in the framework of Egypt/Germany/Denmark cooperation, will benefit from EU support for extending its activities in the field of renewable energy and energy efficiency.
- 3.7. The EU and Egypt will explore the possibilities for energy cooperation with Africa, in particular in the field of renewable energy. In this context, they will aim at carrying out, or updating, the studies concerning the possible utilization of hydro potentials in Africa, as well as promoting their realization for the benefit of concerned parties.
- 3.8. The interest and possibility of Egypt's participation in relevant energy related Community programmes will be given priority by both sides.

4. Development of energy networks aimed at improving the energy security of Egypt and the EU as well as transit through Egypt and from the Mashrek region to the EU

- 4.1. Given the importance to Egypt and the EU of the existing oil and gas supply network, and its potential for further development and expansion in the future, both sides will work jointly in the following areas:
- a) assessment of the existing hydrocarbon transit and supply network, with a view to developing an infrastructure modernization plan, if deemed necessary,
 - b) examine ways to further enhance the safety and reliability of Egypt's transit and export pipeline network,
 - c) assist Egypt in defining and establishing its own energy supply security strategy, particularly in the field of gas,
 - d) identify and promote additional sources and supply routes for gas to and from Egypt and onwards to the EU,
 - e) promote the convergence of the technical norms and standards in Egypt's hydrocarbon sector with EU industrial practices,
 - f) promote the quality and environmental standards for oil products in Egypt with those of the EU,
 - g) assist Egypt to promote its environmental standards in oil and gas extraction and transport industries to EU standards,
 - h) assist Egypt in the reduction of gas flaring and venting, as appropriate.
- 4.2. In view of completing the Euro-Mediterranean electricity interconnections, the EU and Egypt will facilitate the cooperation between Egypt and the UCTE.
- 4.3. The above areas of cooperation on energy networks will be able to draw upon both Egyptian technical expertise and EU technical assistance, as necessary.

5. Enhancement of technological, scientific and industrial cooperation

- 5.1. Both sides will increase cooperation in the areas of energy technology, scientific and industrial cooperation and exchange of expertise in the energy sector, including technical support for the EU-Egypt Strategic Partnership on Energy. Special attention will be given to energy efficiency, energy savings, renewables, gas industry, etc.
- 5.2. The possibilities for cooperation in this field, to be defined jointly, may include:
- a) Transfer of European technology into the Egyptian energy sector in view to bridging technology gaps, including through the research cooperation opportunities under the Seventh EC Research and Technological Development Framework Programmes;

- b) Renewable energy technologies, with priority to be given to the development and implementation of solar and wind energy projects in order to fully exploit the huge potential of Egypt in that field;
- c) Exchange of technical expertise regarding security, safety and sustainability in the field of energy, including technologies with special emphasis on wind, solar and biofuel energy technology;
- d) Promotion of cross investment as well as EU-Egypt business-to-business contacts and cooperation;
- e) Provide appropriate training targeted at the priority issues identified in the Strategic Partnership and based on an analysis of training needs in Egypt's energy sector;
- f) Dissemination of information on best available technologies and best-practices in order to develop know-how and the acquisition of technological skills.
- g) Industrial cooperation in the field of energy, inter alia energy efficiency, energy saving and renewables, including through development and introduction of alternative sources of energy as well as environmentally clean and resource-saving technologies.

6. FINAL CONSIDERATIONS

- 6.1. Funds made available to Egypt under the EU budget, through the European Neighbourhood and Partnership Instrument (ENPI), notably under its bilateral allocation in the NIP 2007-2010 specifically the energy provisions will be used as appropriate to support the actions undertaken in the framework of this Strategic Partnership.
- 6.2. Given the need to have recourse to technical expertise to support the implementation of this energy cooperation, the European Union's technical assistance and financial support will be used as appropriate, in particular through the ENPI and its bilateral and regional allocations, the EIB, FEMIP and the NIF, as well as any new appropriate instruments.
- 6.3. The joint bodies established under the Association Agreement and in particular the Sub-Committee on Transport, Environment and Energy will advance and monitor the implementation of this EU-Egypt Strategic Partnership on Energy. A consultative process, including inter-alia with industry, may also be set up if necessary.
- 6.4. The present document constitutes a political intent, and provides for no legal commitment. However, it does not preclude the sides from launching possible future discussions concerning a legal agreement in the energy field.

Done in Brussels on December 2nd, 2008, in Arabic and English languages, both texts being equally authentic.

For the European Union

**For the Arab Republic of
Egypt**

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