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EU ENERGY COOPERATION IN THE MEDITERRANEAN

UNLOCKING THE BENEFITS OF THE NEW ENERGY LANDSCAPE

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Mediterranean energy dynamics are undergoing a revolution as the region's immense renewables potential begins to be tapped. This energy transition can help unlock opportunities across Europe and the Mediterranean, addressing industrial competitiveness, energy security and climate risks while boosting job creation, regional stability and economic resilience. The key to achieving these benefits: delivering a well-managed transition that is mutually agreed and provides an innovative vision for regional cooperation. It is crucial that the EU sets the right course in its upcoming strategies: the New Pact for the Mediterranean and the Trans-Mediterranean Energy and Clean Tech Cooperation Initiative.

These recommendations were developed with input from the Mediterranean Alliance of Think Tanks on Climate Change¹ and other experts/government representatives from civil society and industry in Europe and the MENA region.

The Mediterranean energy landscape is undergoing a significant transformation. On the Northern shore, Europe's commitment to decarbonisation and ending reliance on Russian fossil fuels is changing what types of energy it needs and who

¹ Union for the Mediterranean, **First-ever Mediterranean Green Week gathered 150 on quest for sustainable future**

it partners with to secure this. The 2021-23 gas crisis demonstrated the damaging impact of volatile gas prices on European industry, while Europe is also seeking new supply chains to de-risk from competitors and avoid weaponisation. Meanwhile, across the Mediterranean, governments, companies and individuals are increasingly tapping into the region's immense clean energy potential.

However, the benefits of closer energy cooperation between the EU and wider Mediterranean go far beyond security of energy supply and export opportunities. Bidirectional electricity interconnectors can improve region-wide energy security; industrial growth powered by clean energy can create new pan-Mediterranean supply chains and jobs in both the EU and the wider Mediterranean; and strengthened partnerships rooted in clean energy and cleantech manufacturing can sustain long-term regional stability as fossil fuel-producing countries in the region are hit by declining EU demand.

In this context, the EU's current interest in stepping up cooperation with the Mediterranean is a major opportunity to drive forward region-wide delivery of these energy transition benefits. For the first time, the EU has a Commissioner for the Mediterranean and a policy department dedicated to the MENA region (DG MENA).

The EU's revamped focus on its Southern Neighbourhood will be reflected in a New Pact for the Mediterranean expected towards the end of 2025 – 30 years after the Barcelona process that launched the Euro-Mediterranean Partnership in 1995. The Pact will aim to re-energise the relationship between the EU and Southern Mediterranean countries and adapt it to the current geopolitical and geoeconomic context. The New Pact will cover areas including security, migration, economic growth and human development. Among these, the energy transition will also play a pivotal role, with DG ENER, the European Commission's energy policy department, leading on a Trans-Mediterranean Energy and Clean Tech Cooperation Initiative, scheduled for early 2026. This will complement the New Pact.

What are the key components of the EU's policy toolbox for more effective Mediterranean energy diplomacy? Our recommendations:

- 1. Just energy transition as a central principle.** The EU's approach should centre on the potential for a just energy transition to help deliver the EU's geopolitical, security and economic goals in the Mediterranean. Achieving this requires full transparency on future EU energy demand, cooperation on

boosting energy efficiency, and tailored support for countries shifting away from fossil fuels.

- 2. Support for a regional renewable energy target.** The EU should back a Mediterranean-wide renewable energy target, like the **TeraMed** goal aiming for 1TW of renewable generation capacity by 2030. The EU can use this to drive large-scale public and private investment in renewables.
- 3. Energy interconnectedness for security.** The EU should primarily think of energy interconnectedness as a way to boost security and flexibility, rather than as a means simply to extract renewable energy from partner countries. A more connected grid would improve resilience, lower costs and enhance energy security across the region.
- 4. Linking renewables to industry and jobs.** Renewable deployment should support industrial growth and local value creation in Southern Mediterranean partner countries. This includes supporting clean industry to maximise local benefits and build competitive pan-Mediterranean supply chains.
- 5. Financing the transition.** The EU needs to mobilise its full toolkit to bring in financing for Mediterranean energy transition. Beyond new financing, this can include raising the visibility of existing European funding to implementers and assisting partner countries to mobilise domestic financing.

How can the EU use its tools to create region-wide benefits? Our recommendations:

- 6. Pan-Mediterranean vision.** As well as strengthening bilateral partnerships, the EU should establish a region-wide vision for the Mediterranean, backed by a stronger multilateral dimension. This includes actively co-creating the New Pact with stakeholders from partner countries, reinforcing South-South cooperation and exploring EU trilateral cooperation with regional actors. At an EU level, the Council should empower the Commission through a Council Decision to lead EU-wide delivery by bringing coherence between EU and Member State visions and resources.
- 7. Climate at the heart of the strategy.** Climate must be central to the EU's approach, recognising it as key to long-term security, stability and development rather than as a sectoral issue. The strategy should include a component on climate adaptation and harness the economic and development potential of the energy transition – drawing on lessons from the EU Green Deal and the emerging Clean Industrial Deal.

A new toolbox for EU energy diplomacy in the Mediterranean

This section sets out innovative policy and technical recommendations for more effective EU energy cooperation in the Mediterranean.

The Mediterranean energy landscape has changed dramatically in recent years. On the Northern shore, high energy prices and fossil fuel price volatility have become key threats to industrial competitiveness. EU gas demand has fallen as efficiency measures and renewable generation accelerate. On the Southern shore, governments increasingly recognise the economic benefits of tapping into the region's immense solar and wind energy potential. But fossil fuel exporters (such as Algeria) face transition challenges as exports to Europe are set to drop.

Connecting the Northern and Southern Mediterranean stories into a wider regional vision offers opportunities for generating mutual economic, security and societal benefits.

Recommendation 1: The EU should place just energy transition at the core of Mediterranean energy diplomacy.

Transparent and inclusive energy cooperation can be a way to advance the EU's geopolitical, security and economic objectives in the Mediterranean. By clearly communicating future energy demand and supporting fossil fuel producers through a just transition, the EU can help partners build resilient, future-proof economies. Leveraging its values-driven approach and engaging with civil society, the EU can distinguish itself from other more transactional actors.

- > **The EU should be fully transparent with Mediterranean partners about its future demand for energy**, including fossil fuels, renewable electricity and hydrogen, and industrial products. This will enable countries to develop future-proof and sustainable economic models for their energy and wider industries.
- > **The EU should explore how it can catalyse greater energy efficiency in North Africa.** This can help increase access to affordable energy, mitigate the financial and climate impacts of growing cooling needs in the face of a warming climate, and free up energy for local industrial growth.

- > **The EU should support Mediterranean countries as they transition away from fossil fuel production and consumption.** This should be framed around the EU's new partnership² with the Beyond Oil and Gas Alliance (announced in November 2024), which includes cooperation on just transition with fossil fuel producer and consumer countries. This engagement could also include cooperation with producers and consumers on managing increasingly volatile fossil fuel markets, as well as technical and financial support for producers to prepare for full implementation of the EU Methane Regulation.
- > **The EU should highlight its strengths relative to other global actors in the region.** These include its engagement with local civil society and its values-driven approach, which differs from the more transactional approach taken by other global actors.
- > **Clean energy cooperation must be framed within a broader regional economic strategy that links economic resilience to governance reforms.** This will ensure that energy transition cooperation leads to sustainable long-term benefits rather than short-term economic benefits experienced only by a small number of people.

Recommendation 2: The EU should support a Mediterranean-wide regional target for renewable energy rollout.

Following the landmark agreement at COP28 to triple global renewable capacity to 11TW by 2030, the TeraMed initiative has emerged as a regional response aiming to deliver 1TW of renewable energy generation capacity in the Mediterranean by 2030. While the target itself appears ambitious, it needs to be contextualised within the huge solar and wind potential in the region, which is conservatively estimated³ at more than 3TW.

- > **The EU should formally endorse the TeraMed initiative,** recognising its potential to enhance energy security, economic resilience and sustainable development, as well as being a pathfinder to a clean energy space powered by renewables in the Mediterranean. In championing the initiative, the EU

² European Commission, 13 November 2024, **European Commission and Beyond Oil and Gas Alliance announce partnership on the transition away from fossil fuels and to strengthen producer-consumer collaboration**

³ ECCO, October 2024, **Setting the scene for an interconnected, renewable Mediterranean energy system**

can play a key role in building momentum and setting out how countries, industry and citizens can benefit from participating in this collective goal.

- > **The EU should leverage TeraMed to stimulate large-scale public and private investments in renewable energy**, as the Competitiveness Compass sets out that the Trans-Mediterranean Energy and Clean Tech Cooperation Initiative should achieve.

Recommendation 3: The EU should look to energy interconnectedness primarily through the lens of boosting energy security and flexibility.

Electrification should be central to trans-Mediterranean energy cooperation given its crucial role in boosting regional energy resilience and energy affordability. As part of this, bidirectional interconnectors and modernised grids are key to ensuring mutual energy security benefits. To achieve the full benefits of electrification, stronger coordination through regional platforms can play a role – including through cooperation to change regulatory frameworks from being a blocker to an enabler of cooperation.

- > **Electrification should be at the centre of trans-Mediterranean energy cooperation.** Building on the EU electrification target in the Clean Industrial Deal, a region-wide electrification target would boost investor confidence in clean energy projects and set the stage for greater trans-Mediterranean flexibility.
- > **Interconnectors should be bidirectional to facilitate energy security and mutual affordability benefits**, rather than simply to extract renewable energy from partner countries. Interconnectors must be paired with grid modernisations so that these energy security benefits can be realised in full, learning lessons from the May 2025 Iberian blackout in this regard. In defining a **Project of Common Interest**, the EU should continue to require bidirectionality and further consider how partner countries can benefit – for example during times when European electricity is cheaper than domestically-produced electricity, or when partner countries are facing electricity shortages.
- > The Initiative should reinforce the role of and coordination between **regional technical platforms**, i.e., MEDREG and MED-TSO, to bridge the gaps towards a fit-for-purpose regional and domestic regulatory environment.

- > The EU should share its expertise of renewable energy systems, including not just onshore solar and wind, but also drawing on expertise in **offshore wind**, particularly from North Sea and Baltic countries, to support expansion of the Mediterranean's offshore wind sector.
- > Renewable energy cooperation should be centred around a complete awareness of its **opportunities, costs and risks, including challenges related to energy storage**, where green hydrogen can be an option to mitigate risks linked with the intermittency of renewable energy sources.

Recommendation 4: Renewable energy should drive industrial growth, local value creation and a labour-oriented transition.

As energy transition changes the geography of industry across the Mediterranean, the EU should explore the potential mutual benefits of clean industry cooperation with the Southern Neighbourhood, including exploring the potential for the Clean Trade and Investment Partnerships (CTIP) model to provide a framework for such cooperation. This includes ensuring that renewable energy fuels new local value chains and creates new industrial, manufacturing and export opportunities, namely for countries currently dependent on fossil fuel exports, thus also contributing to economic diversification and economic resilience.

- > **The EU should carefully analyse the potential mutual benefits of greater industrial production using green energy** (such as using green hydrogen to manufacture green steel) and of production of green technology (for example, solar panels) in Mediterranean countries. This involves co-designing approaches with Mediterranean countries to, for example, promote local value-adding processing to boost industry near locations of clean energy production, thus enhancing their position in global cleantech value chains and also offering opportunities for the EU to nearshore imports.
- > **The EU should respond positively to Southern Neighbourhood countries' calls to invest more in local manufacturing**, working with them to contribute to local industrial development and **build up a competitive advantage for pan-Mediterranean supply chains** compared to other actors (i.e. China's cleantech investment). Bolstering local supply chains would foster a more resilient and secure energy system, with nearshoring helping to mitigate the

current risk that renewable supply chains are concentrated in certain regions of the world.

- > **The EU should facilitate technology transfer and market access to ensure that different standards and technological capabilities do not hinder cooperation.** This includes regulatory cooperation across the Mediterranean, with the EU supporting Mediterranean countries in meeting the high bar of EU regulations.
- > The EU should support partner countries in designing **training programmes** tailored to the energy transition. This would enable young professionals to acquire skills in clean technology and industrial innovation which can strengthen the regional workforce.

Recommendation 5: The EU needs to mobilise its full toolkit to contribute to the financing of the energy transition in the Mediterranean.

A clearer, more coordinated financial approach is key to unlocking the region's renewable energy potential. At a broad level, aligning EU and Member State financing under a regional strategy would help scale clean energy projects, while on the ground, EU delegations could help better link implementers with funding. The EU should also support partner countries in mobilising domestic and private finance and addressing barriers.

- > **The EU should look to raise the visibility of European funding to implementers – and vice versa.** EU delegations could be a “one-stop shop” that communicate relevant funding opportunities to potential project implementers, while also scoping investment needs and mapping trusted stakeholders.
- > A **regional and cohesive financial strategy** is essential to mobilise funding for the rollout of renewable energy and infrastructural development, bringing coherence between existing EU instruments (for example, the Connecting Europe Facility and Global Gateway) and Member State financing.
- > **The EU should explore to what extent it can help mobilise not just European funding but also funding domestically from within partner countries.** This includes sharing best practices for raising private finance for domestic projects in European Member States. Recognising the difficulties partner countries face in sourcing private finance given their higher

perceived risk profile, the EU should also work with these countries to find innovative financing solutions. Commercial banks will need to be involved (with related capacity-building measures) to channel funding to medium and small-scale projects, which better intercept needs on the ground.

- > **Any reconstruction effort for the Levant should prioritise advancing the renewable energy potential of the area.** Renewable energy can play a key role in promoting sustainable development, connectivity and resilience in the Middle East.

How can the EU foster a truly Mediterranean approach?

This section outlines our recommendations for how the EU should plan and deliver its energy diplomacy towards the Mediterranean.

Recommendation 6: The EU should adopt a region-wide, pan-Mediterranean vision.

Despite their political, societal and economic diversity, Northern and Southern Mediterranean countries share many common opportunities, risks and challenges. The New Pact for the Mediterranean should reflect this complex but shared future.

Numerous bilateral relationships already connect governments, businesses and people across the Mediterranean. The New Pact now offers the chance to be a driving force in shaping these connections and to build on them to co-design a regional vision that can bring more cohesion and integration. While the task is far from easy, shared challenges, including the common risks and interplaying regional impacts of climate change, call for a shared, region-wide approach.

- > **Strategic cohesion:** The EU Commission and EU Member States should mutually empower each other in the development and delivery of the Pact, with the Team Europe approach being stronger at bringing together different perspectives into a common approach.
- > Once the strategy is complete, Member States should **empower the Commission through endorsement by the Council** to lead EU-wide delivery

by aligning EU and Member State resources and funding, and by seeking complementarities between their visions in terms of focus geographies, technologies and financing. Empowering the Commission and engaging closely with the Pact over a multi-year timescale will ensure that the Pact delivers continued benefits for Member States as political, economic and security realities evolve.

- > **Buy-in from all of Europe:** Development of the Pact should include all EU Member States, noting that even those geographically far from the Mediterranean have much to contribute, in terms of sharing technologies and expertise; and to benefit from, in terms of the geopolitical and geoeconomic gains resulting from regional cooperation.
- > **Multi-level and pan-Mediterranean approach: The Pact should be fully co-created with EU Member States and partner Mediterranean countries, including governments, industry and civil society.** While the Pact will provide an overarching strategic vision, its delivery should foster **bottom-up and decentralised cooperation**, including with municipalities, local communities and SMEs, as well as through public consultations.
- > **Strengthened multilateralism:** As part of the revision of the Barcelona Process, the EU should strengthen multilateral instruments and fora, including **the Union for the Mediterranean (UfM)**, currently the only multilateral forum representing all Mediterranean countries. Alongside reinforcing bilateral partnerships, strengthening existing multilateral frameworks will promote coordination and information and data sharing. To reach this goal, greater coordination between the EU Commission and the UfM is key.
- > **Boost South-South cooperation:** Strengthening **South-South cooperation** is key to creating a regional framework that prioritises equitable transitions. While the politics of the region are complex, technical expertise-sharing on energy transition and energy markets is an area where the EU could help catalyse South-South cooperation.
- > **Cooperation with other actors: The EU should consider trilateral cooperation with other actors in the region**, namely Gulf countries, given their political and economic weight in the region, and China, given its increased financial engagement. This cooperation could also extend to State-Owned Enterprises in these countries, as well as to development finance institutions (for example, the Islamic Development Bank). To support this broader engagement, the EU should identify where it can best add value,

including through retaining its values-based cooperation approach and deep engagement with local civil society.

Recommendation 7: Climate needs to be at the core of the EU approach.

The Mediterranean region is a climate change hotspot, with desertification, droughts and wider impacts intensifying existing social, economic, political and security vulnerabilities – with repercussions going far beyond climate and environment and spreading through the Mediterranean and wider Europe.

Drawing on the EU’s well-established recognition⁴ of the need to integrate the nexus between climate, peace and security in its external policies, the EU should acknowledge that a safe climate is a fundamental basis for sustainable long-term security, stability and development in the region – and that cooperation on all these issues, including climate, must be taken forward holistically given the inherent interlinkages.

- > **The EU should incorporate climate impacts into security and economic policy planning**, mapping the regional direct and indirect impacts of climate change and incorporating these when developing initiatives with the region.
- > **The New Pact should include a component on climate adaptation**, including setting out how investment in adaptation support can help manage regional stability risks, thus recognising the linkages between climate adaptation and security, including migration.
- > **The EU should tap into the economic and development opportunities presented by the energy transition** so that the transition can be a source of jobs, industrial growth and economic resilience – adapting lessons from the EU’s own domestic experiences with the Green Deal and, as it takes shape, the Clean Industrial Deal.

⁴ European Commission, 28 June 2023, **A new outlook on the climate and security nexus: Addressing the impact of climate change and environmental degradation on peace, security and defence** (PDF)

About the authors and contributors

E3G is an independent think tank working to deliver a safe climate for all.

We drive systemic action on climate by identifying barriers and constructing coalitions to advance the solutions needed. We create spaces for honest dialogue, and help guide governments, businesses and the public on how to deliver change at the pace the planet demands.

ECCO is the first independent Italian, non-profit climate change think tank, founded in 2021. It brings together a group of dedicated and passionate experts committed to work in the public interest to accelerate climate action in Italy, Europe, the Mediterranean region and globally.

ECCO is a strategy-led, impact-focused organisation. It develops fact- and science-based analyses and policy recommendations, working to build consensus and political will through strategic communication, diplomacy and stakeholder engagement. ECCO has two offices, one in Rome and one in Milan, and has recently established its presence in Brussels.

The Mediterranean Alliance of Think Tanks on Climate Change (MATTCCh) is a network of think tank institutions across the Mediterranean region. MATTCCh is a growing network that currently represents more than 25 institutions from more than 12 countries on the South, North and East of the Mediterranean. MATTCCh was launched at the first UfM Mediterranean Green Week in Istanbul in May 2024.

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