9: International cooperation

9.1. The EEA Agreement

The European Economic Area (EEA) Agreement came into force on 1 January 1994. Its object is to create a homogeneous economic area based on common rules and equal competitive conditions. Under the agreement, the European Free Trade Area (EFTA) countries participate in the European Union's single market and in cooperation relating to associated fields. The agreement was extended on 1 May 2004 to include the 10 new members of the EU.

To ensure a balanced development of regulations in the EEA, Norway has undertaken to incorporate relevant new EU legislation in the agreement. For its part, the EU is committed to contacting the EFTA countries during its decision-making process. The information and consultation phase covers the period after the European Commission has presented its proposals and the issue has been submitted to the Council of Ministers. The EEA Agreement does not, however, provide the right to participate in the Directive negotiations in the Council, but it is possible to prepare position papers from Norway and EFTA in accordance with the regulations that have been negotiated.

Formalised contacts under the EEA Agreement take place in the EEA joint committee, and between the EFTA working group on energy matters and the European Commission's Directorate-General for Transport and Energy (DG TREN).

9.1.1 Overview of directives in the energy area

A number of directives and regulations adopted by the EU have been included in the EEA Agreement. These include provisions for the electricity and gas markets, electricity from renewable sources, combined production of power and heat, energy labelling of products and energy efficiency in buildings and of certain products.

Work on opening up EU electricity markets to competition has been under way for several years. For some time, Council Directive 96/92/EC on common rules for the internal market in electricity (Electricity Market Directive) was particularly important in this context. Work on legislation for common rules for the natural gas market has been a parallel process. The Commission and the member countries recognised that this first electricity directive in the first energy market package was inadequate for achieving the objective of creating a functioning single market for electricity.

The second energy market package was adopted by the EU on 26 June 2003 and constituted an important new step forward towards a more open energy market. The Electricity Market Directive (European Parliament and Council Directive 2003/54/EC) included minimum requirements for a market opening timetable. The market for industrial customers was to be open from 1 July 2004, while the market for domestic customers opened on 1 July 2007. The Directive contains the minimum requirement of a judicial distinction between transmission functions and tasks that can be exposed to competition. The Directive does not require separate ownership of grid operators and companies engaged in activities subject to competition. In addition the 2003 energy market package included provisions regarding regulated access to the market, public service obligations and consumer protection.

The regulation on access to cross-border electricity trading – (EC) 1229/2003, which entered into force in the EU on 1 July 2004 –

lays down certain rules for cross-border electricity trading. Certain principles were laid down for further discussion of a mechanism for settlements between system operators, further harmonising of the principles applied in determining tariffs and the principles for access to cross-border transmission links and bottlenecks. Detailed guidelines on these aspects will be drawn up through a committee procedure and by a committee appointed by the member countries. New bottleneck management guidelines were included in the EEA Agreement in 2008.

To a large extent, the Gas Market Directive (2003/55/EC) contains the same type of conditions as the Electricity Directive, including deadlines for opening the market. Both the Electricity Market (2003/54/EC) and the Gas Market (2003/55/EC) Directives, and the regulation specifying the terms for access to cross-border electricity trading ((EC) 1228/2003) permit, based on certain criteria, requests for exemption from the main rule of regulated third party access upon investment in new infrastructure for transmission of electricity and gas. The Energy Market package was incorporated into the EEA Agreement Addendum IV (Energy) by resolution of the EEA Committee on 2 December 2005. An adjustment of the 2003 energy market package is being prepared, see Section 9.1.2.

A Directive promoting renewable energy sources in the internal electricity market was passed in the EU on 27 September2001. The overriding objective of the Directive is to increase the percentage of renewable electricity in the EU. The target set by the directive is that renewables should account for 22 per cent of electricity output in 2010, as against 13.9 per cent in 1997 (EU-15). Achieving this goal is regarded as important for the ability of the EU countries as a whole to meet their environmental commitments through a mix of different measures. The Directive is an umbrella framework to promote renewable energy in the internal market and permits the member countries choice of appropriate means. The Directive was incorporated into the EEA Agreement on 8 July 2005.

Council Directive 92/75 EEC is a framework ordinance on specifying the energy and resources used by household appliances with the aid of labelling and standardised product information. More detailed provisions for each type of appliance are specified in implementing directives. Norway has adopted these directives so that the energy labelling scheme currently covers a number of household appliances.

A Directive relating to the energy consumption of buildings (2002/91/EC) was incorporated into the EEA agreement on 23 April 2004. This Directive defines a common method for calculation of buildings' energy consumption, and defines national energy standards for new and renovated buildings. The Directive also introduces energy certificates for new and existing buildings, and inspections of larger air-conditioning and heating systems. Implementation of the Directive in Norway is in progress.

European Parliament and Council Directive 2004/8/EC, which promotes combined production of power and heat, was passed in the EU on 11 February 2004. On 8 December 2006 the Directive was incorporated into the EEA Agreement.

The European Parliament and Council Directive 2005/32/EF governing requirements for eco-design of products that consume energy, was passed in the EU on 6 July 2005. This proposal covers the entire life cycle of the individual product from production to destruction. The Directive became part of the EEA Agreement through the EEA decision of 17 September 2007. In cooperation with the

member countries, the Commission is considering submitting implementation directives for a number of energy-consuming products to the committees established under the framework directive. Products with high energy consumption may be subject to legislation.

A regulation about access terms and conditions for gas distribution networks (EC) 1775/2005 was passed by the European Parliament and Council on 28 September 2005. The main intention of the regulation is to regulate and facilitate the same access conditions for the various gas distribution networks in the internal natural gas market. Norway is assessing the regulation in light of the EEA Committee resolution about Gas Market Directive II, in which Norway has status as a developing market.

A Directive concerning measures to safeguard security of electricity supply and infrastructure investment was passed by the European Parliament and Council on 18 January 2006. This Directive demands that each country have a political framework for electricity supply security. The Directive has been incorporated into the EEA Agreement through the EEA decision of 8 June 2007.

A Directive on energy services and energy efficiency for end consumers was passed by the Council on 14 March 2006. This Directive constitutes a framework for strengthening energy efficiency implementation policies in EU member countries, with guidelines for energy saving goals in each country. This will be followed up through measures including regular action plans. There are provisions that the public sector shall be a model for the rest of society with respect to energy efficiency. According to the Directive the authorities shall also contribute to the development of a market for energy efficiency services. Norway is working in close cooperation with the EU on these issues, and the Directive is being considered with the intention of incorporating it into the EEA Agreement.

9.2. Participation in EU energy programmes

Norway has participated since 1996 in the EU programmes for energy saving (SAVE) and renewable energy sources (ALTENER) within the framework of the EEA Agreement. The programmes were part of a new overarching energy programme, Intelligent Energy Europe, for the period 2003–2006. Intelligent Energy Europe was incorporated into the EEA Agreement in November 2003. Since 2007 the energy programme has been integrated into a larger, cross-sectoral program, the Competitiveness and Innovation Programme (CIP). CIP is part of the EEA Agreement and runs from 2007–2013.

Norway is contributing financially and is involved in the management of CIP. Norwegian parties have the opportunity to apply for project support in the areas of energy efficiency and renewable energy. Such support must be applied for in cooperation with one or more partners within the EU.

Norway also takes part in other programmes and projects through the EEA Agreement, including the 7th Framework Programme for research and different technology platforms, see also Chapter 8. For further information see see the Ministry of Petroleum and Energy's website at www.oed.dep.no. or Enova's website www.enova.no.

9.3. Nordic cooperation

The Nordic countries have a long tradition of cooperation in the energy field. At government level, collaboration has been established under the Nordic Council of Ministers. In addition, there is extensive collaboration between the system operator networks in each country, refer to Section 5.4, and a collaboration between the Nordic regulators in NordREG.

The Nordic energy ministers meet once a year. Between these meetings, energy collaboration is headed by a committee of senior civil servants. The collaboration in the energy sector is concentrated in the following areas: the electricity market, sustainable energy (climate, energy efficiency, renewable energy and energy technologies), energy technologies (Nordic Energy Research Program – NEF) and regional cooperation with neighbouring areas. The energy ministers have endorsed an Action Plan for the Nordic political energy collaboration from 2006–2009. Discussion of joint EU/EEA challenges in the energy area is an important part of the action plan.

Through the declarations from energy minister meetings in recent years (most recently by the communiqué from the energy minister meeting in Helsinki of 8 September 2007) the Nordic countries have agreed to continue to develop and harmonise the Nordic electricity market. A strong Nordic perspective in the electricity market is also important when the rules in a common EU/EEA market for electricity take shape. The Nordic regulators through NordREG and the Nordic system operators (Statnett SF etc.) are important players in the work of developing a functioning Nordic electricity market. For further information, see the Nordic Council of Ministers website at www.norden.org.

9.4. Baltic cooperation

The Bergen declaration on a sustainable energy supply around the Baltic Sea was issued by the Nordic prime ministers in 1997. It forms the basis for energy cooperation in this region, and has been followed up subsequently by the energy ministers.

Following the energy minister meetings in Stavanger in 1998 and Helsinki in 1999, a more permanent regional energy collaboration was established as the Baltic Sea Region Energy Cooperation (BASREC). BASREC is organised as part of the collaboration within the Baltic Council, which embraces 11 countries – Russia, Germany, Poland, Estonia, Latvia, Lithuania, Sweden, Finland, Denmark, Iceland and Norway– and the European Commission. Work is headed by a group of senior officials. BASREC's Energy Minister Meeting in Reykjavik in 2005 issued a new mandate for BASREC operations in 2006–2009. A BASREC energy minister meeting under Danish direction is planned in 2009. For further information, see BASREC's website at www.cbss.st.

9.5. Economic Commission for Europe (ECE)

The Economic Commission for Europe is one of five UN regional commissions. Established in 1947, it has a committee for sustainable energy in which Norway participates. This committee provides a meeting place for 55 nations, including the US, Canada and the European countries and countries in central Asia. It has working groups for energy efficiency, gas and coal. In addition to discussing

key energy policy issues of mutual interest, the subgroups of the comittee focus on information dissemination and knowledge transfer between the member countries, with a particular emphasis on measures for energy efficiency in Central and Eastern Europe. For further information, see www.unece.org.

9.6. European Energy Charter

The European Energy Charter forms the political framework for pan-European energy cooperation, including former Soviet Union republics and central European nations as well as Japan and Australia.

Signed in December 1991, its objective is to promote long-term energy cooperation based on the principles of the market economy and non-discrimination.

The European Energy Charter treaty was signed in Lisbon in 1994. Fifty-one countries have signed both the treaty and a protocol on energy efficiency. After 30 countries had ratified both the treaty and the energy efficiency protocol, these two agreements came into force in the spring of 1998. Norway has signed the concluding document of the conference and signed the treaty in 1995, but has yet to ratify it. Norway participates in the relevant activities under the energy charter, covering trade, transit issues, investment and energy efficiency. For further information, see the website at www.encharter.org.

9.7. Cooperation with Russia and the Barents Area

The Barents Euro-Arctic Council adopted an action plan in 1998 for improving the energy situation in the Russian part of the Barents region. It also decided to appoint an Energy Working Group (EWG) to pursue the objectives of the plan. The EWG includes representatives from various sectors and regions in Norway, Finland, Sweden and Russia. Denmark and Iceland participate sporadically, and the EU has observer status.

Work in the EWG has concentrated on establishing networks and disseminating information. Particular attention has been focused on energy efficiency and the use of renewable energy sources. Norway held the EWG presidency in the period 2001–2004. After the regions were included more actively in the group in 2004, the chair was assumed jointly in 2005 by Finnmark county and Russia. From 2008 the presidency in the energy cooperation (the energy work group) in the Barents Euro-Arctic Council is divided between Norway and the Arkhangelsk region. For further information, see www.barentsenergy.org.

9.8. The International Energy Agency (IEA)

The International Energy Agency embraces 28 of the 30 members of the Organisation for Economic Cooperation and Development (OECD). The EU Commission also participates in its work. The IEA was established in response to the 1973–74 oil crisis as an independent organisation associated with the OECD, and has subsequently developed into

an important element in the political and scientific cooperation on energy between the OECD countries. Norway is associated with the IEA through a separate agreement which provides that Norway cannot be made subject to the same obligations as other members in the event of an oil supply crisis. The country otherwise participates on equal terms with other countries in this collaboration, on its board and in its sub-committees. The secretariat is headquartered in Paris.

Issues relating to electricity generation and supply, energy use and energy efficiency are mainly discussed in the committee for long-term cooperation (SLT). The secretariat undertakes analyses of output/production and demand for various energy carriers, such as electricity, oil, gas, coal and nuclear power. The IEA's activities also embrace energy research and development, see Section 8.3. The member countries' energy policies are the subject of regular detailed reviews led by experts from the other member countries. Norway was last reviewed in 2005, with a new one planned in 2010.

Energy and environmental issues have gained a more prominent place in the IEA's energy policy agenda, and the agency has become an important contributor to various international fora. For further information, see www.iea.org.

9.9. Global processes within renewable energy

The summit meeting on sustainable development in Johannesburg in 2002 established the need to promote renewable energy to reduce global emissions of greenhouse gases and to contribute to meeting the UN Millennium Development Goal of eradicating poverty. At the international political level this work is followed up in many fora, including the UN Commission on Sustainable Development (CSD), which focused on energy at the 14th and 15th sessions in 2006 and 2007. International conferences at the ministerial level took place in Bonn in 2004, Beijing in 2005 and Washington, DC in 2008. India will host the next international conference on renewable energy in 2010. Norway is participating actively in this work.

9.10. Development cooperation and assistance in the field of public administration

Lack of access to modern energy services is one of the greatest barriers to economic and industrial progress and improved living standards in developing countries. The absence of infrastructure in the energy sector and the lack of energy management frameworks have been two major problems in developing countries. Existing energy use is often based on unsustainable methods which result, for instance, in deforestation, local air pollution and greenhouse gas emissions from burning poor-quality coal. Many countries thus also have major health problems arising from polluted indoor air. Electricity distribution is another major problem which calls for both knowledge and capital. Drought is a major problem in many areas of the world and may increase in step with climate change. In other areas increased flooding may result from climate change. There is therefore a need for an infrastructure that can store and distribute water for agricultural purposes and, not least, that can secure clean and safe drinking water

for the general population. The latter has been given high priority in the UN Millennium Development Goals.

In order to create properly functioning electricity sectors and good management regimes for water resources, many developing countries need help to develop satisfactory legal and administrative systems. Norway has expertise that is highly in demand both in the petroleum sector and hydropower and other renewable energy areas. As part of the stepping up of efforts in pure energy in assistance work the Ministry of Foreign Affairs in cooperation with relevant players prepared a separate platform called Clean Energy for Development. The aim is to use the considerable expertise Norway has accumulated. Norway has leading international expertise and industries within management of energy resources, development and operation of hydropower, development and use of other clean energy sources and research and higher education in the energy area. Furthermore, Norway has high expertise related to overall planning for use and protection of the water resources and to see the connection between energy and environment.

Global warming and climate issues have further crystallised the need to assist developing countries with professional and financial resources for expanding and developing pure energy. The bulk of the efforts will be aimed at Africa where many countries are still only providing electricity for a small percentage of the population. Efforts will also be stepped up in Asia, particularly in technological cooperation with populous countries where the potential for reduction of greenhouse emissions is considerable.

Most of the practical activities relating to development cooperation in these areas are pursued by the Norwegian Water Resources and Energy Directorate (NVE). This work is governed by a special cooperation agreement between the NVE and the Norwegian Agency for Development Cooperation (Norad). Tasks include advising Norad and direct assistance to developing countries in framing legislation and creating administrative structures for water resource management and the energy sector. The NVE also offers help in the fields of hydrology, dam safety and computing. Advisory services provided in southern Africa include the establishment of national regulators for the electricity sector.

The NVE's cooperation with developing countries is mainly organised as binding cooperation with equivalent administrative institutions, based on contracts which define both partners' responsibilities and working areas.

In recent years, the NVE has provided assistance on developing legislation and institutional structures to such countries as Angola, Mozambique, Uganda, Vietnam, East Timor (Timor-Leste), South Africa and Bhutan. The latest addition to this list is Liberia. This work helps the countries involved to establish modern legislative systems and appropriate administrative bodies, and is based on Norwegian experience with energy and water resource legislation. Extensive use is also made of experience from other developing countries which have been in a similar position. This provides a basis for more efficient administration which can safeguard the interests of the recipient countries in utilising energy resources while also stimulating investment and sustainable development.

The institutional contracts also open the way to substantial assignments for Norwegian industry, including both consultants and equipment suppliers. Such contracts are usually placed through tendering processes in Norway or internationally. A number of Norwegian consultancy companies have recently become involved in studies for hydropower projects in both Africa and Asia.