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International cooperation

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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 EC Commission's directorate general on transport and energy (DG TREN).

9.1.1 Regulations for the single market

A number of regulations and directives adopted by the EU have been included in the EEA agreement. These include provisions on the electricity and gas markets, electricity from renewable sources, combined production of power and heat, energy labelling of products and the energy efficiency 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 single market in electricity was particularly important in this context. But the Commission and the member countries recognised that this first electricity directive was inadequate for achieving the objective of creating an integrated single market for electricity. Important issues in this connection were harmonised rules for cross-border trade and managing bottlenecks (transmission capacity shortages). The Commission initiated an informal process – the Florence process – in 1998, in which these issues were discussed by representatives of such bodies as regulatory authorities in the member countries, transmission system operators and industry organisations. Collaboration and coordination between the regulators and system network operators has gradually been strengthened during recent years.

The Energy market package was passed in the EU on 26 June 2003, and constituted an important step forward towards a more open energy market. The new Electricity Directive (EU parliament and Council Directive 2003/54/EC) means there will be a forced open market. The market for industrial customers became open from 1 July 2004, while the market for domestic customers will be opened from 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 involved in activities subject to competition.

Market access is organised on the basis of regulated third-party access. This means that the method used to

determine grid tariffs must be published and approved by the national regulators before these changes come into force. At the same time, the member countries have been given the power to impose terms on power companies with regard to their public service obligations. Minimum standards have also been specified for protecting consumer rights, including requirements to take account of vulnerable customer groups and to specify on the customer's bill which energy sources have been used for electricity generation.

The regulation on access to cross-border electricity trading – (EC) 1229/2003 – introduces a mechanism for settlements between system operators in the EEA over such transactions. It also provides a basis for harmonising 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. The regulation came into effect in the EU on 1 July 2004.

To a large extent, the Gas Market Directive (2003/55/EC) contains the same type of conditions as the Electricity Directive, including deadlines for the open market. Common for the Electricity Market (2003/54/EC) and the Gas Market (2003/55/EC) Directives, and the draft regulation specifying the terms for access to cross-border electricity trading ((EC) 1228/2003) is that, based on certain criteria, a request can be made for exemption from the main regulation on regulated third party access at investment in new infrastructure for transfer of electricity and gas. The Energy Market package was incorporated in the EEA Agreement Addendum IV (Energy) by resolution of the EEA Committee on 2 December 2005. The EEA Committee resolution will come into force when the EFTA countries have notified that the necessary law changes have been passed. This normally takes place about 6 months after an EEA Committee resolution.

A Directive promoting renewable energy sources in the internal electricity market was passed on 27 September 2001. The supreme objective of the Directive is to increase the percentage of renewable electricity in the total electricity consumption of 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 as a whole to meet its 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 in 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 a number of the latter, so that the energy labelling scheme currently covers refrigerators, freezers, combined fridge-freezers, washing machines, tumble dryers and combined washing machines/dryers, ovens, dishwashers, fluorescent tubes and air conditioning units. The EU Commission is currently working on incorporation of hot water heaters in the energy labelling scheme, and has initiated a consultation process with the aim of revising the Framework Directive 92/75/EC.

Directive 96/57/EC of the European

Parliament and the Council deals with energy efficiency requirements for household electric refrigerators, freezers and combined fridge-freezers. It must be viewed in conjunction with the energy labelling directives, but goes a step further by specifying upper limits for permissible electricity consumption (energy efficiency). Appliances may only be marketed if their electricity consumption is below or equal to the maximum allowable level for their category of product.

Directive 2000/55 of the European Parliament and the Council deals with energy efficiency requirements for ballasts in fluorescent lighting. These units are divided into several classes, with the least energy-efficient to be removed from the market 18 months after the directive comes into force. It has also been implemented in Norwegian law through regulations.

A Directive relating to the energy consumption of buildings 2002/91/EC was incorporated in 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 inspection of larger air-conditioning and heating systems. Work will be carried out in 2006 on implementation of the directive in Norway.

The European Parliament and Council Directive 2004/8/EC that promotes combined production of power and heat, was passed in the EU on 11 February 2004. This Directive is now under consideration in EEA with the intention of incorporation in 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. Means of transport and products that are sold only in small quantities are exempt from the proposal. The Directive is now under consideration in EEA with the intention of incorporation in the EEA agreement.

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

A Directive about supply safety and investments in infrastructure for electricity was passed by the European Parliament and Council on 18 January 2006. This Directive demands that each country has a political framework for supply safety for electricity. The Directive is based on statutory provisions in the internal market and is relevant to the EEA. The Directive is being considered with the intention of incorporation in the EEA agreement.

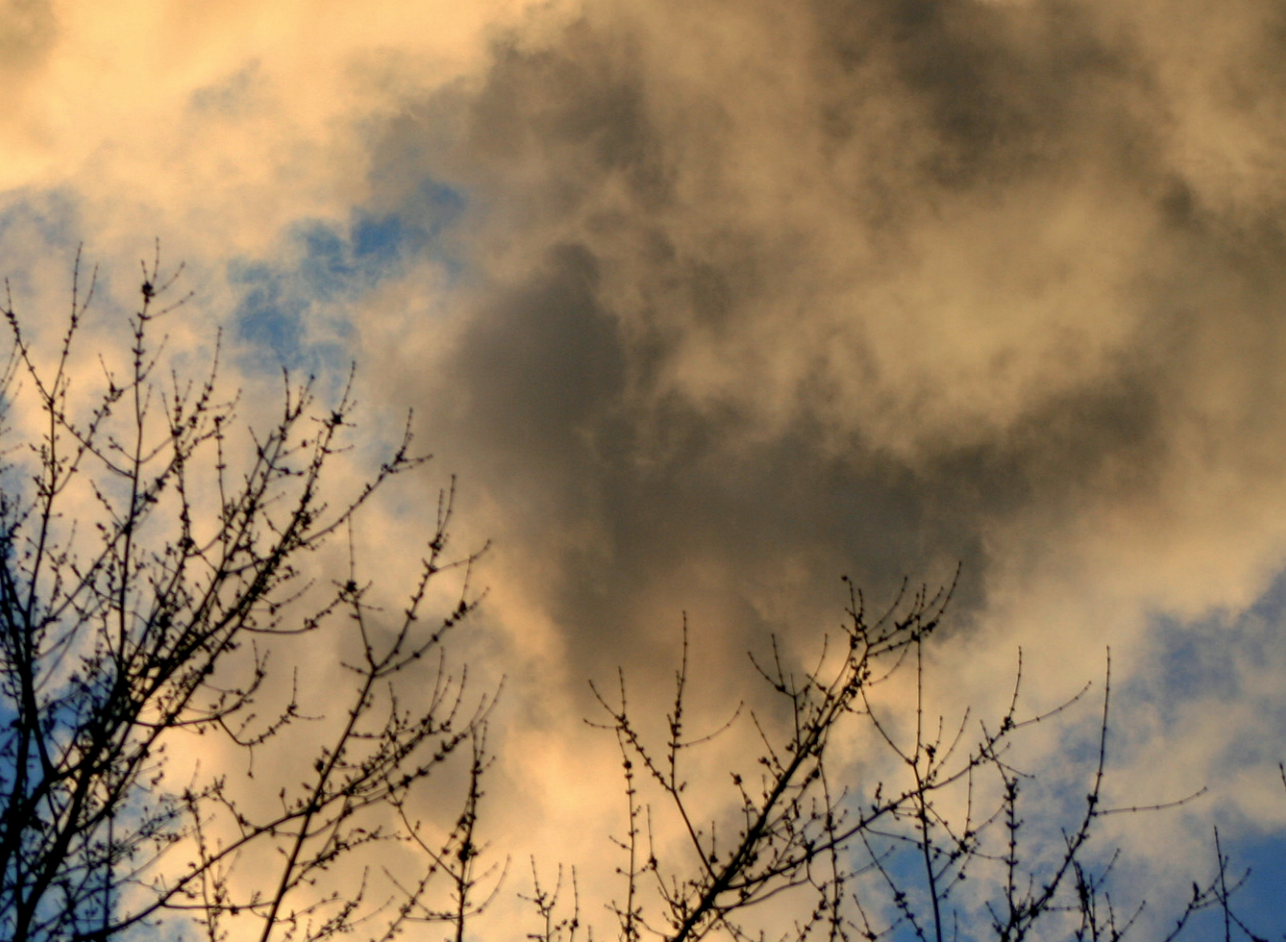
A Directive on energy services and energy efficiency for end consumers was passed in the Council on 14 March 2006. This Directive constitutes a framework for strengthening energy efficiency implementation policies in EU member countries, with guidelines for energy saving goals in each country. This will be followed up through regular action plans, among other. Norway is working in close cooperation with the EU about these issues, and the Directive is being considered with the intention of incorporation in the EEA agreement.

9.2 Participation in EU energy programmes

Norway has participated since 1996 in the EU's Save and Altener programmes on energy efficiency and renewable energy sources. On 26 June 2003, the EU resolved to established a new overarching energy programme for 2003-06 called Intelligent Energy Europe. This extends Save and Altener and introduces Steer, a programme aimed at the transport sector, and the Coopener programme on cooperation with developing countries over energy issues. Intelligent Energy Europe was incorporated in the EEA agreement in November 2003 and, somewhat later, Coopener was incorporated in EEA in November 2004. The Commission has established an Intelligent Energy Executive Agency that is responsible for the operational aspects of the program, while the Commission will continue to deal with the policy-related issues together with the member countries in EU/EEA. Planning the next phase of the Intelligent Energy Europe from 2007 has already started by the integration of the energy programme in a larger, sector overreaching program, the 'Competitiveness and Innovation Programme' (CIP), that will run from 2007-2013. Norwegian participation is anticipated in the programme.

Norway contributes funding to the programmes, and Norwegian interests can apply for project support from the Intelligent Energy Europe program. Such applications must be made jointly with one or more partners from within the EU.

For further information, see the MPE's web site at www.oed.dep.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 Chapter 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: Electricity, sustainable energy (climate, energy efficiency implementation, renewable energy and energy technologies and regional cooperation with neighbouring areas. The energy ministers have agreed an Action Plan for the Nordic political energy collaboration from 2006-2009. Norway holds the chair in 2006.

In the Akureyri Declaration issued after the Ministers Meeting on 2 September 2004 and the Greenland Meeting in August 2005, the Nordic countries agree to develop further the Nordic electricity market and to collaborate on supply safety issues in Scandinavia. The Scandinavian countries agree to focus in particular on the possibilities for coordination of system operator responsibility and common approaches to investments in the central network. Nordel, the organisation for system operator networks in Scandinavia, will submit a report on further harmonisation of the power market in Scandinavia.

For further information, see the Nordic Council of Ministers web site at www.norden.org.

9.4 Baltic cooperation

The Bergen declaration on a sustainable energy supply around the Baltic 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. with work headed by a group of senior energy officials (GSEO). BASREC's Energy Minister Meeting in Reykjavik 2005 issued a new mandate for BASREC operations which will apply for the period from 2006-2009.

For further information, see BASREC's web site at www.cbss.st.

The power companies in the Baltic region have established their own collaboration, known as Baltrel, to help create a single market for the area. Baltrel cooperates with Baltic Gas, a similar organisation for the gas companies.

9.5 Economic Commission for Europe (ECE)

The Economic Commission for Europe is one of the UN's five regional commissions. It was established in 1947, and has a committee for sustainable energy in which Norway participates. This committee provides a meeting place for 55 nations, including the USA, Canada and European countries and most of the former Soviet republics in central Asia. It has working groups for energy efficiency, gas and coal. In addition to discussing key energy policy issues of mutual interest, these groups focus on information dissemination and knowledge transfer between the member countries, with a particular emphasis on measures for energy efficiency in central Europe.

For further information, see the Commission's web site at 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 east 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.

For further information, see the web site at www.encharter.org.

9.7 Cooperation with Russia and the Barents Area

Norway signed an energy efficiency agreement with Russia in 1996. The

object of the agreement is to facilitate projects on energy efficiency and utilisation of new renewable energy sources in north-western Russia. Six energy efficiency centres have been established under this agreement in the Russian part of the Barents region. Collaboration between the two countries in this area has continued after the agreement expired in 2002. Expertise transfer, demonstration projects, development of funding models and information dissemination are important elements in this bilateral collaboration.

The Barents Euro-Arctic Council adopted an action plan in 1998 for improving energy supply 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. The energy efficiency centres backed by Norway in north-western Russia have gained official status through the EWG as Barents Energy Focal Points. A special group of experts on bioenergy was appointed in 2002 and submitted its final report in the spring of 2004. 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 by Finnmark County Municipality and Russia.

For further information, see the web site at www.barentsenergy.org.

9.8 The International Energy Agency (IEA)

The International Energy Agency embraces 26 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 pursued 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. Issues relating to electricity generation and supply, energy use and energy efficiency are mainly discussed in the committee for long-term cooperation (SLT).

Analyses are also carried out of output/production and demand for various energy carriers, such as electricity, gas, coal and nuclear power. The IEA's activities also embrace energy research and development. See section 8.3. The member countries' energy policies were the subject of regular detailed reviews led by representatives from the other member countries. Norway was last reviewed in 2005.

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 the web site at www.iea.org.

9.9 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 progress and improved living standards in developing countries. The absence of infrastructure in the energy sector, and good frameworks for energy management have been two major problems in developing countries. Existing energy use is often based on unsustainable methods which result, for instance, in deforestation or pollution 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. 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 Millenium 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. Good water management is important, since this resource is often more valuable for irrigation than for power generation. Some countries frequently suffer damaging floods which also claim human lives. So-called integrated water resource management would take all the various user interests into consideration in a way that, collectively, would give the best result for society. Norway is highly competent in this area.

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 directorate 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.

NVE's cooperation with developing countries is mainly organised as binding cooperation with equivalent institutions in the administration, based on binding 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, Namibia, Uganda, Vietnam and Bhutan. The latest addition to this list is Timor-Leste (East Timor). 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.

At the initiative of the Ministry of Foreign Affairs, a Power Group with representatives from industry, consultancies, management and interest organizations, was appointed in spring 2005. NORAD assumed the secretariat. The group submitted the report Proposal for strategy and actions to promote Norwegian efforts in the power sector in developing countries to the Minister of Development 2 February 2006.

The Power group documented the extensive Norwegian competencies and expertise in these technical areas. For example, Norway is an international leader within exploitation of water resources. The Power Group sees a clear need for a larger Norwegian involvement in development of the power sector in our collaboration countries. Using increased political focus, Norway can become an important contributor to development of a sustainable and well-functioning power sector.

In order to achieve this goal, Norway must prioritize its efforts in the development collaboration within the power sector, and this must be a long-term and predictable collaboration. Developmental political tools must be used actively.

The Power Group proposes three main strategies to realise this vision:

- Strengthened, wide Norwegian investments in development of the power sector - 'wide investments'
- Investments in selected countries or regions – 'depth investments'
- Marked increase in overall investment in the sector – 'quantity investment'

The Power Group believes that the investment should, over time, result in a significant increase in aid to the power sector and that the ambition should be to achieve at least a doubling within the coming years – to a total annual investment of more than NOK 1 billion. An investment like this would reflect the increased prioritisation of the power sector in international aid movements.

9.10 Global processes within renewable energy

The summit meeting on sustainable development in Johannesburg in 2002, contributed to increasing international attention to the need to promote renewable energy to reduce the global emission of greenhouse gases and to contribute to meeting the UN Millenium Development Goals of eradicating poverty. At the Summit meeting, the EU took the initiative to form a coalition of countries that were willing to proceed further with the work of promoting renewable energy, the Johannesburg Renewable Energy Coalition (JREC). Norway has participated in the follow-up of the Johannesburg Summit meeting through JREC. A major conference on renewable energy was arranged in Bonn in June 2004, at which Norway was widely represented. The conference was followed-up in Beijing in 2005, when Norway also participated. In 2006, two sessions about energy are being prepared in the UN Commission on Sustainable Development. The sessions take place in New York in May 2006 and May 2007.