



Comparative study on the governance structure and energy policies in EU macro-regional strategies

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Abstract

Macro-regional strategies (MRS) are EU initiatives to create multi-country coordination structures to strengthen joint collaboration on common challenges by participating countries and regional authorities. While their establishment was top down, these initiatives and their work plans are expected to be driven increasingly by a more bottom-up approach. To understand some of these challenges, this study focuses on the similarities and differences in the governance structures of the macro-strategies and, more specifically, their contribution to the implementation of the Energy Union, while keeping an eye on the potential role that these initiatives might have after 2020. Among its findings, this study reveals that the application of the new MRS concept to the already existing advanced set of funding policies by the EU is not fully well-suited. Yet, the MRS could play an important role in the implementation of the Energy Union. Macro-regional strategies being highly heterogeneous, local authorities need to engage more actively with their government to ensure the MRS approach is given the right relevance in the national strategies.

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Executive Summary

Since 2009, the EU has been establishing macro-regional strategies (MRS) as an EU initiative to create multi-country coordination structures to encourage joint collaboration on common challenges by the participating countries and the authorities of the regions involved. MRS now include 19 EU Member States (Austria, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia and Sweden) and 8 non-EU countries (Albania, Bosnia and Herzegovina, Liechtenstein, Moldova, Montenegro, Serbia, Switzerland and Ukraine) in regional cooperation and coordination.

The MRS do not develop new programmes or provide additional funding, but have as an objective to encourage relevant stakeholders to increase their collaboration through existing policies and funding streams. While the MRS can be seen as a top-down structure, it is, in fact, largely as a result of existing and ‘naturally’ emerging cross-border collaboration in areas of key importance for the regions involved and the EU. The MRS architecture is inspired by the success of the Baltic Energy Market Interconnection Plan (BEMIP), developed in 2008 to respond to regional concerns on energy security. BEMIP’s success as a cross-border energy trading platform led to the development of the EU Strategy for the Baltic Sea Region (EUSBSR) in 2009, and then, the EU Strategy for the Danube Region (EUSDR) established in 2010, the EU Strategy for the Adriatic and Ionian Region (EUSAIR) launched in 2014 and the EU Strategy for the Alpine Region (EUSALP), which was established in 2015.

The particularity of the MRS is that while the creation of the macro regions has occurred top down, the initiatives and work plans are expected to be driven increasingly by a more bottom-up approach. For instance, regional and local authorities are the main drivers in EUSALP due to historical reasons, but this is not yet the case in other MRS. The MRS can be considered a response to the rather sluggish development of cross-border joint initiatives and projects, despite the pan-European ambitions of the EU. The EU’s policies, while aiming at higher EU objectives, have often been implemented with a local focus. This is reflected in the comparatively slow advance of the Trans-European-Networks or the expansion of Interreg programmes relative to national programmes.

It is no coincidence that MRS have emerged in recent times when climate policy and energy security are becoming pressing areas for intervention, requiring a coordinated and joint regional, European (and global) response.

Strengths and weaknesses of the approach

The MRS are a new concept and structure, applied to an already existing advanced set of funding policies by the EU, primarily the European Structural and Investment (ESI) Funds, the Connecting Europe Facility, Horizon 2020 and the European Fund for Strategic Investments, which either already possess a number of cross-border instruments or are designed to operate cross-border. The focus of the MRS is instead on enhancing collaboration and joint initiatives across regions. Thus, a fundamental principle of the MRS at this stage is the ‘*three NOs rule*’, namely no new legislation, no new EU funding and no new institutions. This applies to the European institutions and budget, as Member States and regions are free to, and encouraged

to set up new coordination bodies and institutions. However, there is a risk that the MRS capacity to act is restricted by not providing specific funding instruments and thus complicating the integration of the MRS into the strategies of the ESI Funds or those of other financing instruments.

The current Cohesion Policy structure and Connecting Europe Facility are not well-suited for the macro regions, particularly local actors. Interreg and Interact are also relatively small in comparison with funds allocated for projects within regions. The allocation of funds for cross-border projects has historically been neglected in favour of local sectoral interests, despite the fact that one of the fundamental roles of the EU budget is supporting the elimination of barriers in the single market. *Hence the provisions requiring Member States to integrate the MRS into their strategic documents for the ESI Funds.*

The MRS can play an important role in the implementation of the Energy Union:

Macro-regional strategies can contribute to climate action and decarbonisation by reinforcing cooperation. MRS can offer important support to regional cooperation through changing the logic of capacity markets that have so far functioned in relative isolation and not taking the generation capacity available across the border properly into account. Therefore, the New Electricity Market Design introduces a wider regional and European aspect to capacity markets. This leads first into the capacity needs assessment and then to better coordination of national capacity mechanisms. Cooperation through macro-regional strategies, especially in cases such as BEMIP, can play a significant role in regional market integration. *The MRS allow for the creation of regional power markets*, which is key for the creation of integrated energy markets.

Member States have to draft *National Energy and Climate Plans*. *This is an opportunity to be seized by the macro-regional authorities to ensure their interests are taken into account, while helping to integrate energy markets, which also benefit from the better collaboration between countries.*

MRS can allow a better coordination of renewable supply and demand and thus contribute to more diversified, efficient and resilient energy markets.

MRS can be a platform for exchange of best practices, allowing countries with similar challenges and characteristics to share experiences and lessons learned.

In the area of research, innovation and competitiveness, macro-regional collaboration can help by bringing together regional institutes seeking solutions for common challenges in the macro regions.

The different MRS developments will be highly heterogeneous

The four MRS are at different points of development, mainly due to the differences in the extent to which these initiatives were built on previous, stable, and existing collaboration. While EUSBSR and EUSALP are built on strong, previous, existing regional collaboration, EUSDR and EUSAIR suffer from an absence of such solid existing collaboration.

For each macro-region there are different needs and recommendations:

EUSBSR: The Baltic Sea Strategy can be considered one of the most solid strategies in terms of governance. Undoubtedly, the BEMIP structures have been highly successful in creating an integrated energy market in the region. Nevertheless, *the structure needs to adapt to further incorporate bottom-up approaches involving local authorities, if it wants to move from cross-border grid and power markets into areas such as energy efficiency.* Although local by its very nature, energy efficiency measures can significantly affect the energy demand.

EUSDR: This region was originally developed to tackle problems along the Danube basin. The member countries are highly heterogeneous and include several non-EU countries. The strategy suffers from a lack of historical collaboration, and common interests are not as clear-cut as in the Baltic or Alpine regions. *The difference in regulatory, administrative and financial capacity between the members is vast, making collaboration particularly difficult.* The disparity between the financial capacity of countries that are covered with EU structural funds and those that are not is significant. *Efforts will have to be made to ensure that EU pre-accession funds and neighbourhood policy tools are suitable for supporting the strategy.*

EUSAIR: Similarly to the EUSDR strategy, *the countries involved are highly heterogeneous and many face administrative and financial capacity limitations in engaging fully with the strategy.* Regional collaboration is at an initial stage of development and will face a number of challenges. Some of these countries have rarely collaborated. This region will also likely require strong support from the Commission to encourage participating authorities to effectively engage and implement common strategies and projects. The region also faces many serious common energy challenges which would be better served by close collaboration, and as such, the strategy could play an important role in facilitating this.

EUSALP: The Alpine Region has evolved over years of close collaboration on a number of common economic and environmental challenges. This has created a solid base on which to build the MRS. The main challenge is the integration of the expanded territorial coverage and scope of the MRS compared to the existing local initiatives. The involvement of national authorities, and the larger geographical and thematic scope offer important opportunities, but might also lead to less focused and less effective action if existing cooperative achievements were to be diluted.

From the short summaries above, it is clear that *the lack of historical structures and frequent lack of capacity in EUSDR and EUSAIR will require a stronger intervention by the EU to develop the strategies.* It is unlikely that there will be much traction for cross-border collaboration otherwise.

The level of importance that stakeholders give to the MRS will also depend on the involvement of central governments. For smaller countries where border regions take up the whole or most of the territory, the interest of the central government will be much higher than for countries where the border regions are small. *There is thus a need to ensure that the MRS interests are taken seriously by the central governments in the larger Member States.* At this stage, the roles

of central governments and local authorities are not always well developed. It is thus important that macro-regional authorities press their national governments to take the macro regions seriously, for example in the preparation of the strategy and operational programmes for the ESI Funds for the Multiannual Financial Framework 2021-2027.

A serious challenge for the MRS is their large territorial coverage, which appears partially based on top-down political interests and not on 'natural' functional regions. It may indeed be a useful political strategy in the longer term to integrate regions better into the EU's economy and to build the Energy Union, but it may also backfire if the heterogeneity of the grouping is not well handled and hampers rather than enhances common decision-making.

Comparative study on the governance structure and energy policies in EU macro-regional strategies

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1. Introduction

This study has been prepared with the aim of understanding the differences and commonalities between the governance structures of the Macro-Regional Strategies (MRS), by looking at both the top-down EU and national levels, as well as at the bottom-up local level. The key aim is to understand the decision-making processes in the macro regions and more specifically, how this reflects in action on the ground and in the implementation of the different strategies.

A special focus is given to the objectives in the energy sector, with the purpose to identify the present and potential contribution of the macro regions to the EU's energy policy. The study has been undertaken with a combination of desk research, meeting the project coordinators in a cross-MRS workshop,¹ and interviews of key stakeholders from the macro regions.

The report is divided into five sections (including this introduction). Section 2 describes the emergence of the macro-regional policy and gives an overview of the fundamental governance structure common for all the MRS. It will also highlight some of the key challenges faced by the macro-regional strategies.

Section 3 explores the current state of development of each of the macro-regional strategies and their respective strengths and weaknesses. A few actions in the energy field are also highlighted. Section 4 assesses the contribution of the MRS to EU energy policy. Section 5 analyses the potential role of the macro regions post-2020 in the area of energy and what can be done to improve the policy structure. Finally, section 6 presents a summary and conclusions.

2. The concept of macro-regional strategies

The realisation that socio-economic links across regional boundaries have been significantly developing beyond the mere exchange of goods, has been long recognised. Administrative regional boundaries and even national borders are increasingly not reflecting the morphing functional regions in a more globalised world and most importantly increasing intra-regional trade in goods and services which have seen significant growth over the last two decades, particularly in Europe. Transport and communication systems, as well as the increasing fungibility of finance, are altering the developments at the global, national and intra-regional levels. For Europe this is particularly important as a result of the single market, the single

¹ Meeting of Macro Regional Coordinators in Vienna, Austria, 2-3 April 2019.

currency and the four freedoms, which allow the free movement of goods, capital, services, and labour across national borders, creating an unprecedented potential for frictionless collaboration across national boundaries, promoting the development of private cross-border business operations, but also incentivising joint programmes on common interests by public authorities leading to increasing socio-economic alignment. Border regions are clearly the main actors in this development.

The emerging realities on the ground were explored in great detail in 2002 by the OECD in a paper² that discusses the concept of functional regions. These are territorial units that result from the organisation of social and economic relations rather than reflecting geographical or historical (and thus administrative) boundaries. The definition of functional regions is evolving and there is still much work to be done in order to determine the appropriate policy response and how to handle the governance challenges.

An issue of relevance for the EU's macro-regional strategies is to what extent functional regional integration can also be promoted to foster integration. This is of key relevance for the EU where some regions that could benefit from cross-regional and cross-border strategic coordination and integration might not be taking advantage of the opportunities. This may be due to lack of capacity or simply, bureaucratic and historical barriers.

For the EU this represents a fundamental issue. The call for more coordinated and integrated approaches across borders is becoming more significant and relevant, particularly due to the single market, fungibility of funding, competitiveness and scale opportunities. EU-wide policy objectives require a deepening of cross-border integration to bring forward key EU policies, such as those on energy and transport. The formalisation of functional regions is a necessary welcome development, but the EU is going further with its macro-regional strategies, which do not only formalise a *fait accompli*, i.e. formalising existing relations across regional and national boundaries, but also seek to bring together regions where collaboration is weak but could be enhanced. This is the reason for their ambitious and complex design, which combines a top-down with a bottom-up approach.

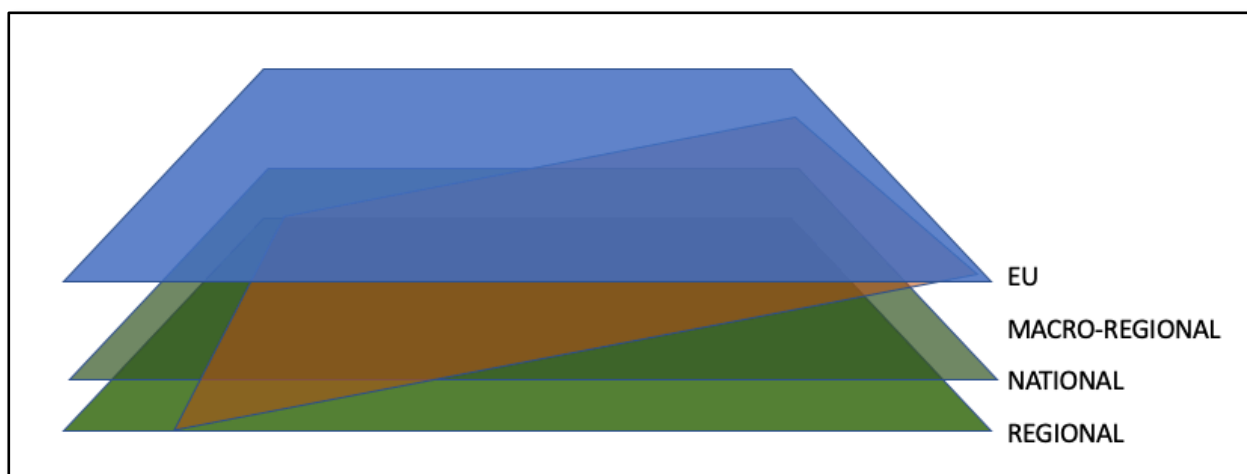
Cross-border collaboration has been a key concern for the European Union, as Member States have been slow in opening their economies and aligning rules to allow the development of a fully functional single market. Several well-known attempts were made to create *de facto* trade barriers, developing local rules or creating administrative barriers. The EU's regional and cohesion policy, despite attempts to introduce a solid cross-border component remained very much a tool for regional development within Member States focused on local rather than European objectives. The EU's Interreg programme promoting cross-border joint programmes has not been an apriority for Member States. Even the Trans-European-Networks (TEN) policy introduced in 1992 with the aim of building essential corridors failed to advance at the speed

² OCED (2002), 'Redefining Territories, The Functional Regions', OECD, 17 April 2002, Paris.

planned.³ The fact is that EU policies have been and still are very much developed for specific national and regional administrative boundaries with a rigid allocation of funding and little encouragement to involve neighbouring regions. In fact, regional policy itself has failed to encourage collaboration as funding is allocated to regional administrative territories.

The MRS thus presents a layer of coordination that was missing (Figure 1), a kind of cross-border national and regional bottom-up and top-down setting that institutionalises and encourages collaboration within existing policies. It links the supranational EU level with the national and regional, not as a separate process, but as part of the existing architecture. The Macro-Regional Strategy creates groupings of countries and regions to identify common interests, an aspect that was missing in policy approaches until now.

Figure 1. MRS as a new connection between governance layers



Source: Authors' own rendering.

In order to formalise and/or create 'functional' macro regions, the European Union's Cohesion Policy⁴ establishes the framework of the MRS in the form of integrated platforms that promote regional cooperation between EU Member States, regions and third countries in a defined geographical area.

It is still early days for these strategies, and these will need to develop their own approaches to collaboration and implementation.

2.1 The Macro-Regional Strategy

An MRS refers to a strategy, a process and a work plan. It is established as an integrated policy framework that engages at different policy levels: EU level, national and regional level. As a

³ HLG. 2003. High level group on the Trans-European Networks. Report, 23 June. http://ec.europa.eu/ten/transport/revision/hlg/2003_report_kvm_en.pdf

⁴ Regulation No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Structural and Investment Funds.

governing entity, and based upon an Action Plan, an MRS is set up to guide a defined region's policy and decision-making towards enhanced territorial, economic and social cohesion. The 'MRS process' is defined as a number of jointly established development processes that aim to create a broad impact and achieve the objectives (targets and indicators, where defined) of the priority/policy within each MRS.⁵

However, the MRS are a new concept applied to an already existing advanced set of policies by the EU, namely the European Structural and Investment (ESI) Funds, the Connecting Europe Facility, Horizon 2020 and the European Fund for Strategic Investments, which either already possess a number of cross-border instruments or are designed to operate cross-border. To avoid adding a new and potentially conflicting instrument, a fundamental principle of the MRS at this stage is the *'three NOs rule'*:

- No new legislation,
- No new EU funding,
- No new institutions.⁶

Therefore, the strategies must function within the existing EU policy framework, on the one hand bringing value added to existing instruments by expanding the scope of regional coordination in policy implementation. However, there is a risk that its capacity to act is restricted by not providing specific funding instruments and thus complicating the integration of the MRS into the ESI Funds strategies. Funding is still allocated to specific regions and not at macro-regional level so as to create incentives to develop joint programmes.

The first MRS, the EU Strategy for the Baltic Sea Region (EUSBSR), was set up in 2009. This MRS further extended as a working model the existing Baltic Energy Market Interconnection Plan (BEMIP), developed in 2008. BEMIP was driven by the concerns in the area of security and energy, as well as the opportunities in the field among the EU Member States with access to the Baltic Sea (Estonia, Denmark, Finland, Germany, Latvia, Lithuania, Poland and Sweden). The result was a successful cross-border energy trading platform. Later integrating BEMIP, EUSBSR launched other Action Plans, building on the key theme of collaboration to tackle the degradation of the highly-polluted area of the Baltic Sea.

Following the successful launch of EUSBSR there was a growing interest for similar forms of cooperation within other greater European regions. As a result, three more such strategies have been launched: the EU Strategy for the Danube Region (EUSDR) in 2010, the EU Strategy for the Adriatic and Ionian Region (EUSAIR) in 2014 and the EU Strategy for the Alpine Region (EUSALP) in 2015. Even if EUSBSR was the blueprint and has influenced the design of the high-

⁵ Interact (2018), "How do macro-regional strategies deliver: workflows, processes and approaches", input paper, January 2018

⁶ European Commission (2016) 805 final, 'Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the implementation of EU macro-regional strategies'.

level top-down governance structure of the macro regions, coordination at national and regional level varies between the different MRS.

Given this expansion in recent years, MRS now include 19 EU Member States (Austria, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia and Sweden) and 8 non-EU countries (Albania, Bosnia and Herzegovina, Liechtenstein, Moldova, Montenegro, Serbia, Switzerland and Ukraine) in regional cooperation and coordination.⁷ While the macro-regional framework of cooperation is meant to allow for flexibility when establishing priorities, in general each strategy revolves around one key issue, while simultaneously covering several activity areas. Therefore, the MRS are designed to cater to a shared problem within each macro-region, such as responding to environmental degradation in the Baltic Sea, improving navigability in the Danube Region, reducing economic, social and environmental fragmentation in the Adriatic and Ionian Region, and addressing the social and economic imbalances between urban and rural areas in the Alpine Region.⁸

As already stated above, there is no specific funding stream for the MRS, which rely on using other EU and national funding sources. Cooperative projects within the macro regions can be financed through funding sources such as the ESI Funds, Horizon 2020, LIFE, COSME, the European Fund for Strategic Investments and other national or own sources. As non-EU Member States are also involved in this process, the Pre-Accession Instrument and the European Neighbourhood Instrument represent other available financing mechanisms.

The main tools used to monitor and evaluate the progress of implementation within the MRS are a set of benchmarks and indicators agreed with the European Commission.

In essence, the macro regions create a framework for a multi-country, multi-sectoral, and multi-level policy coordination and implementation mechanism to enhance the cross-border collaboration using existing policies and instruments. MRS can play a particularly important role to incorporate EU policy objectives, which are transboundary in nature, particularly for cases of cross-border pollution, environmental management, transport and energy, and climate policies. This paper focuses on the role (or potential role) of the MRS in the implementation of the key EU climate and energy policies, which can be facilitated through the development of Priority Areas within each MRS.

2.2 The Macro-Regional Strategy and the implementation of the Energy Union

With the purpose of establishing a more secure, sustainable and competitive energy sector, the Energy Union represents the EU's central strategy in the area of energy governance, policy and

⁷ European Commission (2017), 'What is an EU macro-regional strategy?', Publications Office of the European Union.

⁸ European Commission (2014) 284 final, 'Report from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions concerning the governance of macro-regional strategies'.

regional cooperation. Its goals of establishing a free and competitive market and facilitating access to new technologies and infrastructure aim to decrease energy prices for consumers and to stimulate economic growth. Crucially, the Energy Union seeks to contribute to the creation of a sustainable, low-carbon and environmentally-friendly economy in Europe. This section gives a brief overview of the energy sector in the EU and of the structure of the Energy Union in order to determine the areas where the MRS can provide value added for the implementation of the EU energy policies.

The total energy consumption of the EU in 2016 was 1640 Mtoe, ensured through a relatively diversified energy mix.⁹ Nonetheless, significant risks for the supply of energy are created as a result of the EU-28 fuel import dependency of almost 54% of its total consumption. The unstable geopolitical context of the EU's eastern and southern neighbours, which provide primary energy sources to EU countries, only further exacerbates the risks associated with energy supply. The EU not only aims to reduce this import dependency, but it has also set ambitious targets of almost doubling the share of renewable energy sources in the energy mix by 2030.

However, the existing EU energy infrastructure has proven to be an impediment to these goals. The lack of reverse flow options and storage facilities exacerbated the impact of the gas import disruption in 2009, the development of the Baltic Sea offshore wind electricity generation was hindered by insufficient grid connections and developing the vast renewable energy potential of southern Europe is being hampered by insufficient interconnections both within the EU and with neighbouring countries.¹⁰ Therefore, an adequate, integrated and reliable energy infrastructure is a prerequisite for meeting the EU's objectives.

In order to tackle the existing challenges, the Council agreed in 2014 to establish the Energy Union, which was launched by the Commission in February 2015.¹¹ Since then, concrete steps have been taken to implement the agenda of this project, such as the Commission's 2015 Energy Union Package and Framework Package. The 2030 Framework for Climate and Energy set clear and ambitious objectives of reducing energy use by 27%, decreasing greenhouse gas emissions (GHG) by 40% and reaching a 27% share of renewable energy sources in the energy mix by 2030. In addition, the more recent proposal of the Commission from November 2016, the Clean Energy for All Europeans package, introduces a number of legislative projects that have the purpose of ensuring the implementation of Energy Union objectives.

Given the wide range of issues covered, the Energy Union is split into five main policy dimensions. This report now looks at these five areas in order to determine where the MRS,

⁹ COM (2018), 'EU energy in figures', Luxembourg: Publications Office of the European Union.

¹⁰ COM (2011), 'Energy Infrastructure: Priorities for 2020 and Beyond- A blueprint for an Integrated European Energy Network', Luxembourg: Publications Office of the European Union.

¹¹ COM (2015), 'Energy Union: secure, sustainable, competitive, affordable energy for every European', Press release, Brussels, 25 February 2015.

especially through the Priority Areas of each strategy, can contribute to the implementation of the Energy Union.

2.2.1 Security, solidarity and trust

The Energy Union continues the efforts to diversify the EU's sources of energy and to ensure security of supply. This is particularly important, given the fact that EU countries import 54% of their energy, which creates high risks in the case of potential foreign supply disruptions. In 2014, following the Russian-Ukrainian gas crisis, the EU launched the Energy Security Strategy to reduce such risks through a combined solution of increasing energy efficiency and stimulating the domestic production of energy. Moreover, in order to protect consumers from potential risks, a number of legislative acts established measures to be taken in order to increase the security the supplies of oil, gas and electricity.

Macro-regional energy integration can contribute to develop more diversified, efficient and resilient energy markets reducing the dependency on imported gas. Macro-Regional Strategies can permit a better coordination of renewable supply and demand, helping smooth renewable energy power fluctuation and also create new markets, such as for biomass.

2.2.2 A fully integrated internal energy market

A fully integrated internal energy market at the EU level should also ensure more secure supplies. The Energy Union seeks to create a framework for the free flow of energy across the EU, by investing in adequate infrastructure and eliminating technical and regulatory barriers. Such measures would also increase competitiveness and reduce prices. This is a crucial objective, as the Energy Union puts the consumer at the centre of EU energy policy. The Clean Energy for All Europeans package further promotes this rhetoric, while also contributing to the further liberalisation of the EU energy market through its New Electricity Market Design directive.

Given the Energy Union objective of promoting regional cooperation within the EU framework, the MRS emerge as crucial tools in the implementation, enabling the creation of regional power markets, such as is the case with EUSBSR energy collaboration.

2.2.3 Energy efficiency

Increasing energy efficiency at all stages of the energy chain can contribute to decreasing import dependence, cutting GHG emissions and reducing prices for consumers. Therefore, this has become a crucial objective of the Energy Union. The Clean Energy for All Europeans package puts forward a new directive to update the existing 2012 Energy Efficiency Directive, which establishes very specific targets, such as achieving 0.8% energy savings per year in terms of final energy consumption and 1.5% energy savings per year among energy distributors and retail energy sales companies. In addition, the European Performance of Buildings Directive lays down the necessary standards that buildings need to achieve in order to enable the implementation of the EU's energy efficiency objectives. The directives are also meant to bring the current legislation up to date with the 2030 energy and climate goals and to facilitate their

implementation at the national level. Other projects such as the Ecodesign Working Plan and the Smart Finance for Smart Buildings have also been conceived to contribute to achieving this goal, though they are not the object of this study.

2.2.4 Climate action and decarbonising the economy

The EU is committed to the full ratification of the Paris Agreement.¹² Therefore, the Energy Union seeks to cut GHG emissions and cement the EU's global leadership role in renewable energy. The implementation and revision of the EU Emissions Trading System (ETS) is crucial for this endeavour. In addition, national targets have also been set for reducing emissions in the non-ETS sectors.

Macro-regional strategies can contribute through their reinforced cooperation, for example by increasing collaboration and seeking to minimise GHG emissions through the more efficient use of resources within a better functioning market for energy.

2.2.5 Research, innovation and competitiveness

The Energy Union provides support for research and innovation in low-carbon and clean energy technologies, in order to boost the EU's competitiveness in the sector. To reduce the risk of technological investment and to make such technologies commercially viable, the European Strategic Energy Technology Plan (SET-Plan)¹³ was set up to improve cooperation among EU countries, companies and research institutions.

In this area, macro-regional collaboration can bring results. Consortia of institutes across borders can use Horizon 2020 funding to seek solutions for the macro regions. Of course, integrating energy systems can also bring wider competitive advantages as it encourages more cost-effective solutions, reducing the costs of energy or even material sourcing, such as biomass. Collaboration can bring economies of scale. The impact on lower energy costs has wider repercussions on local industry, helping to enhance competitiveness. Similarly, collaboration on energy efficiency in material, expertise and costs reduction can make the allocation of resources at regional level more efficient. Ultimately the impact on individual regions will depend on the quality of the agreements.

2.3 Overall governance structure

The MRS bring together a wide array of regions and actors, so they are highly heterogeneous in nature and take advantage, where possible, of existing cooperation structures. As no new institutions can be created, the various regional organisations need to adapt and make smarter use of existing resources and structures to achieve the objectives of each strategy. Nonetheless,

¹² COM (2016) 62 final, 'Proposal for a Council Decision on the signing, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change'.

¹³ COM (2015) 6317 final, 'Communication from the Commission towards and Integrated Strategic Energy Technology (SET) Plan: Accelerating the European Energy System Transformation'.

some similarities between the governance frameworks of the MRS do exist (see Figure 2), as they all exhibit a three-tier governance model with policy, coordination, and implementation levels. The Member States and the relevant regions supported by the Commission negotiate at the top level in order to establish the general framework and the strategic orientation of each macro-region. On the intermediary level, a cluster of high-ranking officials, the National Contact Points, coordinate their work at the senior administrative level. Finally, a network of experts organised in Steering Groups are responsible for implementing the thematic priorities of each strategy. This is illustrated in Figure 2 below.

The governance structure of the macro-regional strategies defines how and by whom the strategies are implemented, joint actions are initiated and projects are financed.¹⁴ The policy level provides the necessary political commitment, strategic orientation and addresses key matters, usually in an Annual Forum, where national Ministers, regions and representatives of the European Commission participate. The format and level of representation in these Forums vary and reflect the level of existing integration and collaboration. Local representation is of course stronger in areas with a higher existing collaboration across regions, which is the case of EUSALP. The European Commission is also active at the coordination level, which is normally managed by High Level Groups (representatives from all Member States and regions considering the overall approach of the MRS) and National Coordinators (high-level officials in each country coordinating work at senior administrative level with thematic experts). Finally, the thematic experts organised in Steering Groups are responsible for the actual implementation of projects and initiatives. In addition, some of the macro-regional strategies have established autonomous bodies that facilitate the coordination and implementation efforts across all three levels of governance. The Action Plan of each MRS defines the governance structure and the roles of all the actors involved in the implementation process. The activities of each MRS are usually structured in pillars or thematic areas that identify the main strategic priorities. The implementation activities of each pillar are further divided into a number of specific thematic areas.

The governance structures are evolving and depending on levels of commitment and existing structures, with each macro-region agreeing and developing their own approaches. Some countries are additionally integrating macro-regional strategies into their national EU funds strategies, while others introduce new levels of citizen engagement or collaboration in national coordination groups or other bodies.

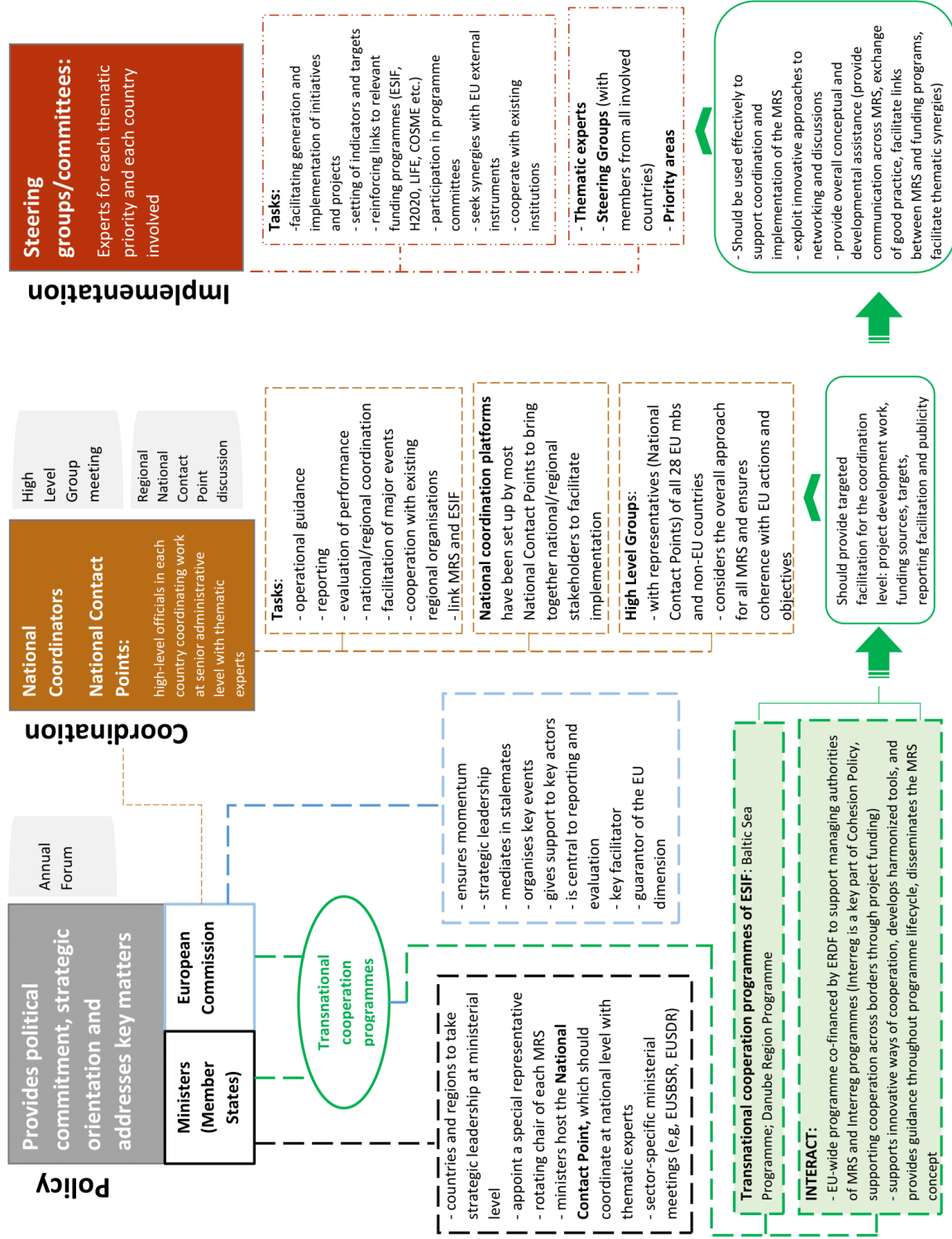
The ‘three NOs’ rule while questionable in terms of the restrictions it imposes, does nevertheless provide an incentive for policy coordination and the integration of macro-regional strategies into national strategies and decision-making bodies. There is, however, a risk due to the different importance of macro-regional strategies in larger countries and smaller ones. For smaller countries, border regions are an important part of the national strategy, sometimes

¹⁴ European Commission (2014) ‘Report from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions concerning the governance of macro-regional strategies’. COM (2014) 284 final.

indistinguishable, as an entire country may be a border region. For larger Member States, the relevance of cross-border collaboration may be limited. Also in regions where cross-border collaboration has historically been weak, there is, not surprisingly, less interest. We see this in the latest implementation report by the European Commission.¹⁵ The number of programmes involving ESI Funds for the macro regions is clearly positively related to the level of maturity and cross-border collaboration in place.

¹⁵ European Commission (2019) 'Report from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions on the implementation of EU macro-regional strategies', COM (2019) 21 final.

Figure 2. MRS governance structure



Source: Authors.

3. The macro-regional strategies

This section will present an overview of the four existing strategies in the chronological order of their establishment. For each macro-region a description of their foundation and their governance structure is given. This is followed by a review of their strengths and weaknesses. This is then complemented with an overview of the energy-related activities and a list of energy initiatives in the macro-region. Each section concludes with a list of lessons for the region.

3.1 EU Strategy for the Baltic Sea Region (EUSBSR)

- Set up in 2009, as the first macro-regional strategy.
- It is composed of the following eight countries, all of which are EU Member States: Estonia, Denmark, Finland, Germany, Latvia, Lithuania, Poland and Sweden.
- The structure is based on common interests and challenges faced by the countries bordering the Baltic Sea, in particular its environmental degradation.
- Energy is an integral part of the strategy, as evidenced by the pre-existing cooperation on energy interconnections through the BEMIP initiative. Through developing energy infrastructure and diversification of supply, it works to end the energy isolation of the Baltic Sea region.

Origin of the macro collaboration

The EUSBSR was established with the aim of facilitating cooperation in areas of common interest and concern between the countries bordering the Baltic Sea. Among these concerns was notably the degradation of the Baltic Sea, but also the energy isolation of the Baltic States and disparate development paths in the region. After calls from the Baltic Intergroup, the European Parliament called for an EU Baltic Sea Strategy, which was duly presented in 2009 as the first Macro-Regional Strategy.¹⁶ While originating from a largely top-down process, a public consultation was organised, mainly engaging public authorities at various levels.¹⁷

Cooperation and integration among the countries in the region, however, predates the establishment of the EUSBSR. Several areas of common interest have encouraged such cooperation, for example in the area of energy security. As a result, a High-Level Group on Baltic Interconnectors was already set up by the European Commission in 2008, which went on to

¹⁶European Parliament (2006), 'Report on a Baltic Sea Region Strategy for the Northern Dimension', (2006/2171(INI)), <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A6-2006-0367+0+DOC+PDF+V0//EN>; European Commission (2015), 'European Union Strategy for the Baltic Sea Region ACTION PLAN', COM(2009) 248, <https://ec.europa.eu/transparency/regdoc/rep/10102/2015/EN/10102-2015-177-EN-F1-1.PDF>; Council of the European union (2008), 'Presidency Conclusions', 16616/1/07 REV 1, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/97669.pdf p. 17

¹⁷ European Commission (2010), 'EU STRATEGY FOR THE BALTIC SEA REGION Report on the public consultation', http://ec.europa.eu/regional_policy/archive/consultation/baltic/doc/summary_baltic_consultation.pdf

establish the Baltic Energy Market Interconnection Plan (BEMIP) in 2009.¹⁸ BEMIP has the same membership as EUSBSR, with the addition of Norway as an official observer. Other structures for cooperation, such as the Council of Baltic Sea States, Nordic Council of Ministers, and many more also precede the establishment of the macro-regional strategy.

Cross-border integration in the region is high, compared with the EU in general. This is particularly true for labour integration and trade integration, of which the latter has increased in the period since the establishment of the macro-region.¹⁹ Energy integration within the region has rapidly progressed with the development of energy infrastructure and harmonisation of market rules.

3.1.1 Governance

The governance of the EUSBSR is based on the same overall structure as set out by the Commission, which also applies to the other macro-regional strategies. Its overall direction is set by the High-Level Group, which meets annually. Coordination is led by National Coordinators (NCs). Implementation is ensured through Steering Groups led by Policy Area Coordinators (PACs) and Horizontal Action Coordinators (HACs) that are composed of experts in the respective fields, including national representatives (Policy Area Focal Points – PAFPs and Horizontal Action Focal Points – HAFPs) and other relevant stakeholders. PAFPs and HAFPs serve as a liaison between the national level and thematic policy areas or horizontal actions.²⁰ The setup of the Steering Groups is flexible, each having the freedom to determine its role and Terms of Reference.²¹ Nevertheless, peculiarities do exist within the EUSBSR. In the energy sector, this is particularly evident through the integration with BEMIP.

As the first MRS, the EUSBSR has trialled and developed several aspects of the governance structure. The introduction of a rotating chair of the National Coordinators' group in 2014, for example, strengthened national ownership and balanced the role of the Member States and the European Commission better.²² Moreover, in 2017, formal Rules of Procedure for the NC

¹⁸ European Commission (2012), 'Baltic Energy Market Interconnection Plan: 4th Progress Report', available at https://ec.europa.eu/energy/sites/ener/files/documents/20121016_4rd_bemip_progress_report_final.pdf, p. 3.

¹⁹ European Commission(2017), 'Study on macro-regional strategies and their links with cohesion policy: Data and analytical report for the EUSBSR', https://ec.europa.eu/regional_policy/sources/cooperate/baltic/pdf/eusbr_links_cohesion_policy.pdf, p. 128-129.

²⁰ European Commission (2015) op. cit., p. 12-14.

²¹ Toptsidou, M. and Böhme, K. (2018), 'EUSBSR after 2020: Governance remastered?', https://www.balticsea-region-strategy.eu/attachments/article/591006/EUSBSR-after2020_Governance-Remastered_FinalReport.pdf p. 26.

²² Length of Chairmanship extended from six months to one year. See European commission (2016), 'COMMISSION STAFF WORKING DOCUMENT Accompanying the document REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on the implementation of EU macro-regional strategies', COM(2016) 805 final, https://ec.europa.eu/regional_policy/sources/cooperate/macro_region_strategy/pdf/swd_implem_macro_region_strategy_en.pdf, p. 10.

group was agreed, providing greater clarity on roles and responsibilities.²³ Through meetings with the bodies managing the financing mechanisms and other regional actors, the NC group has moreover improved its ability to coordinate and find synergies with other initiatives. An example of this is a new initiative of organising meetings between the Interreg Baltic Sea Programme Monitoring Committee and the NC group, the second of which took place in 2018.²⁴

Flagships are a key characteristic of the implementation of the EUSBSR, where they serve as pilot examples for the desired change. Flagship status is given to several single projects or more generally processes, which are all contributing to the same action, and having requirements related to regional impact and quality. Easier access to funding, as well as increased visibility generally follows the granting of flagship status.

3.1.2 Overall strategy and objectives

The impetus for the creation of the EUSBSR was represented by the common challenges and interests of the countries bordering the Baltic Sea, spanning from marine environment and pollution to innovation, cross-border crime, transport and energy.

Currently, the EUSBSR has three overall objectives, all of which are interconnected and interdependent:²⁵

- *Saving the sea:* The Baltic Sea, as a key area for shipping and fishing in the region, suffers from environmental issues stemming from overexploitation and pollution. As a result, a key priority from the origin of the macro-strategy has been to improve its environmental sustainability by focusing on improving water quality and the ecosystem, ensuring clean and safe shipping, and improving cooperation between the countries.
- *Connecting the region:* Due to both geographical distances and historical factors, the Baltic Sea region has substantial needs in terms of communication, transport and energy infrastructure. The main priorities under this objective are to improve internal and external transport links, and the efficiency and security of energy markets, as well as to connect people in the region.
- *Increasing prosperity:* While economic differences exist between members, innovation and strong economic growth is enabling a fast catch-up. Building upon this momentum, the strategy takes a broad approach to prosperity, including education, health, security,

²³ NA (2017), 'Rules of Procedure For the Group of National Coordinators of the EU Strategy for the Baltic Sea Region Final – 2017-06-15', available at <https://www.balticsea-region-strategy.eu/news-room/documents-materials?task=document.viewdoc&id=49>

²⁴ EUSBSR National Coordinators group, Estonian Chair (2018), 'Report from the EUSBSR National Coordinators meeting, Tallinn, 6 June 2018;', available at <https://www.balticsea-region-strategy.eu/news-room/documents-materials?task=document.viewdoc&id=66> p. 1.

²⁵ European Commission (2012), 'COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS concerning the European Union Strategy for the Baltic Sea Region', COM(2012) 128 final, available at http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/baltic/com_baltic_2012_en.pdf p. 3.

innovation and culture. It focuses on deepening and fulfilling the single market, encouraging resource efficiency as part of the Europe 2020 Strategy, improving competitiveness, and climate change prevention and adaptation.

Within these, 13 policy areas further specify priorities within the overall objectives. Additionally, the strategy has four horizontal actions (HAs) – a particularity of EUSBSR – which are cross-cutting. These focus on improving spatial planning, relations with neighbouring countries, improving capacity and climate change.

3.1.2.1 Strengths and weaknesses

The below SWOT analysis shows the various identified strengths and weaknesses of the EUSBSR, as well as opportunities and challenges that are external to it. A particular strength of the EUSBSR is the integration of and cooperation with other regional structures and platforms for cooperation in the region. As such, the EUSBSR is able to create synergies, benefit from existing capacity, and mobilise funding. Moreover, it enables closer cooperation with neighbouring non-EU countries that are part of these other structures, such as Russia, Belarus, Iceland and Norway. As an example of such integration and cooperation, one of the horizontal actions, HA Climate, is managed by the Council of Baltic Sea States secretariat through its role as HAC.

Efforts to capture bottom-up feedback and ideas from stakeholders have been largely successful. This has been achieved through the involvement of experts as members of Steering Groups, thematic working groups, as well as key events inviting stakeholders to engage and share their opinions. Establishing a communication focal point for a project has moreover improved communication with new and existing stakeholders.

Funding can more easily be mobilised by the granting of flagship status to projects, as it increases visibility and reaffirms their strategic and regional importance. Particularly when granted early in the process of project development, this can have an important role for accessing funding opportunities. Nevertheless, projects have often relied on Interreg, which has played a key role in financing the implementation of the EUSBSR, due to the similar geographical coverage and close thematic alignment.²⁶ Funding from other sources, such as the European Regional Development Fund, Connecting Europe Facility, and ESI Funds, however, has been less dominant. As such, the EUSBSR would benefit from closer alignment of priorities and mechanisms to encourage joint regional projects.

Currently down from 22 to 17 thematic areas, the EUSBSR could arguably benefit from further reductions in the number of thematic areas covered and by focusing on key areas for cooperation. The wide range of thematic areas creates difficulties in managing the successful implementation of the strategy. Moreover, a bureaucratic governance structure creates

²⁶ Toptsidou, M. and Böhme, K. (2018), op. cit., p. 33-34.

barriers to full stakeholder engagement. Combined with a lack of capacity among many stakeholders, particularly at the local level, this could negatively affect the reach of the EUSBSR.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Inclusion of other regional structures or international organisations allows for joint actions, project synergies and co-financing. • Bottom-up participation enabled through stakeholder events and Steering Groups. • Flagship status creates visibility and mobilises funding for projects. • Integration of BEMIP, which has succeeded in developing key energy infrastructure and interconnecting the region. 	<ul style="list-style-type: none"> • Covering a wide range of thematic areas may not allow for easy prioritisation and focused action. This depends on the alignment of interest of the different regions and cross-sectoral cooperation.²⁷ • The bureaucratic governance structure creates barriers for stakeholder engagement. • Funding largely dependent on Interreg, and accessing other funding is a challenge.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • The next MFF provides opportunities for funding, particularly if the macro-regional dimension is incorporated and the strategy is well aligned. • Provision on consultation with region in development of National Energy and Climate Plans could provide an opportunity for cooperation. • Specific areas of common interests in the region, particularly related to energy security and interconnections. 	<ul style="list-style-type: none"> • Heterogeneous region with differences in economic and territorial size and capacity limits potential for cooperation. • Lack of capacity at the local level limits possibilities for joint Projects of Common Interest. • National agendas dominate in areas such as renewable energy and energy efficiency, limiting cooperation and market integration in these areas.

3.1.3 Energy aspects and good practices

With a distribution of various energy sources in the national energy mixes, with oil, wood and coal being the major energy sources, the energy mix in the Baltic Sea region is diverse.²⁸ Energy integration was historically low, with the Baltic States and Finland being considered energy islands within the EU. In terms of energy efficiency and share of renewables, there are also significant differences among participating countries. The share of renewables in the energy supply mix varies between those countries leading within the EU, and those that have higher

²⁷ European Commission (2019), 'REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on the implementation of EU macro-regional strategies', COM(2019) 21 final, p. 8.

²⁸ ENTSG et al. (2017), 'Baltic energy Interconnection Plan, GRIP: Main Report', https://www.entsog.eu/sites/default/files/files-old-website/publications/GRIPs/2017/entsog_BEMIP_GRIP_2017_Main_web_s.pdf, p. 13.

shares of non-renewable energy in their energy mix.²⁹ Nevertheless, key commonalities are present in the electricity and gas markets, where particularly the Baltic countries and Finland have lacked interconnections and synchronisation with the wider markets of the EU, while depending on energy imports from third countries. Diversification and security of supply thus featured as a joint concern of the countries in the region.

As such, integrating the Baltic States into the EU energy networks and improving energy security has been one of the key aspects of the EUSBSR since the beginning. Energy is currently one of 17 prioritised thematic areas within the strategy, with a dedicated policy area (PA) – PA Energy, under the objective of connecting the region. Within PA Energy, the focus was originally largely on improving energy security and supply, but in later years this has broadened to also include energy efficiency, renewable energy and the reduction of greenhouse gas emissions. Additionally, there are energy features in other thematic priorities of the EUSBSR, particularly the horizontal action on climate (HA Climate) with its dual focus on low emission development and climate adaptation.

While originally existing in parallel to BEMIP, efforts to integrate the two were made in 2015 when the Action Plan of BEMIP also became the operating document for PA Energy. BEMIP is the backbone of Baltic energy market integration – in terms of electricity and gas, and has been a useful instrument and collaboration platform, its success facilitated by well-defined targets.³⁰ The integration of PA Energy and BEMIP has made energy policy and cooperation in the region more coherent.

EUSBSR has helped shape policy and developments in the energy field.³¹ Under BEMIP, market integration, harmonisation of market rules and development of energy infrastructure has been successfully encouraged. Several large-scale projects have ensured that the gas and electricity markets have become increasingly interconnected. Among these are electricity lines with Poland (LitPol Link), Sweden (NordBalt) and Finland (EstLink). Integration of the Nordic-Baltic electricity markets has moreover been developed under the BEMIP framework, while synchronisation of the electricity grid with the continental European network, and the merger of the Estonian and Finnish gas markets remain key priorities. The operationalisation of the Klaipėda Liquefied Natural Gas (LNG) Terminal in Lithuania, the Świnoujście terminal in Poland and Pori terminal in Finland provide diversification of gas supplies in the region, while gas interconnections between Finland and Estonia (BalticConnector), and Poland and Lithuania (GIPL) have contributed towards connecting the gas markets and ending the energy isolation. As such, the EUSBSR has seen important developments under the BEMIP initiative, reaching an

²⁹ Numbers from 2014. See Rafaelsen, B., et. al. (2017), op. cit., p. 78-84.

³⁰ European Commission (2016) 805 final, 'Commission Staff Working Document on the implementation of EU macro-regional strategies', 16 December 2016, Brussels.

³¹ European Commission (2019), 'REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS on the implementation of EU macro-regional strategies', COM(2019) 21 final, p. 5.

interconnection level of 23% and becoming one of the most interconnected regions in Europe.³²

However, challenges remain for the implementation of PA Energy and within the energy sector in the region more generally. Particularly in relation to renewable energy and energy efficiency, national agendas have limited further success in fostering market integration in these areas. While a certain scale is integral to interconnection and market integration, projects on renewable energy and energy efficiency do not necessarily benefit from the same scale and political prominence. BEMIP and PA Energy have benefited from the high-level attention paid to energy security in the region, but renewables and energy efficiency are not visible at the same level. The rationale and need for cross-country cooperation thus becomes less prominent. In addition, while a regional energy market needs interconnectors and cross-border collaboration, the building of renewable energy capacity and energy efficiency intervention within national boundaries is generally seen as a local issue. The legal and regulatory systems are not identical, which discourages an approach across countries. Furthermore, while energy security has a cross-border dimension, there is generally a certain reluctance in each member country to rely too much on external energy capacity, with energy security often seen as a national productive capacity first.

Moreover, while the macro-region has seen important progress in the energy sector, much of this originated outside of the EUSBSR, including BEMIP and the Baltic interconnector. As such, these successes cannot be fully attributed to the EUSBSR and its added value can be more easily seen through smaller projects. In such cases, the interaction, networking and knowledge exchange that takes place as part of the strategy as well as the overall policy direction it sets, have a larger role.

Excluding the larger infrastructure projects originating outside the EUSBSR, good practices can be found in several of the implemented projects. Two such examples can be seen in the tables below, both of which have been granted flagship status. They demonstrate the potential for macro-regional impact, through developing planning capacity for renewable energy and exploring the potential for meshed offshore wind grids. As such, the projects are contributing to one of the newer areas where the EUSBSR is aiming to develop its influence and effectiveness – renewable energy.

³² European Commission (na), “Baltic Energy Market Interconnection Plan (BEMIP)”, available at <https://ec.europa.eu/energy/en/topics/infrastructure/high-level-groups/baltic-energy-market-interconnection-plan>

BEA-APP
BEA-APP: Baltic Energy Areas – A Planning Perspective
<p>DESCRIPTION</p> <p>Launched in 2016, due to end in 2019, BEA-APP aims to improve the capacity of regional and renewable energy planning actors. This is done through developing, testing and implementing new adjusted spatial planning instruments, innovative stakeholder involvement modes and financing systems, as well as place-based pilot actions assessing local circumstances and conditions, defining the optimal renewable energy mix for strategically selected areas and setting the scene for a number of adapted renewable technologies. The project has flagship status under EUSBSR.</p>
<p>Funding: EUR 2.69 million from Interreg Baltic Sea Region Programme</p>
<p>Implementing partners: Lead: Ministry of Energy, Infrastructure and State Development Mecklenburg-Vorpommern (Germany), with 10 other partners from Sweden, Finland, Estonia, Latvia, Lithuania, Poland and Denmark.</p>
<p>State of Play: Final conference 29 January 2019 to showcase main outcomes. Several pilot projects implemented in six countries, many regional renewable energy concepts developed, and adjusted spatial planning instruments have been developed.</p>

Baltic InteGrid
Name: Baltic InteGrid
<p>DESCRIPTION</p> <p>Launched in 2016, with a deadline in 2019. Baltic InteGrid is exploring the potential of meshed offshore wind electricity grids, and has received flagship status under EUSBSR. It aims at contributing to sustainable electricity generation, integration of electricity markets, and improving security of supply. As such, it contributes to achieving the objectives of the EUSBSR.³³ The project aims to connect relevant stakeholders in debates and topical knowledge exchange and provide innovative research efforts on the framework conditions for the development of a regional meshed grid.</p>
<p>Funding: EUR 3.95 million of which EUR 3.04 million is from the Interreg Baltic Sea Region Programme.</p>
<p>Implementing partners: Lead partner: IKEM – Institute for Climate protection, Energy and Mobility, Germany. Partners from Germany, Denmark, Estonia, Finland, Latvia, Lithuania, Poland and Sweden.</p>
<p>State of Play: The project has connected stakeholders and delivered key research through workshops, publications and events. It has delivered two pre-feasibility studies for Polish-Swedish-Lithuanian and German-Swedish-Danish interconnectors integrated with offshore wind farms, and submitted recommendations to the public consultation of the ENTSO-E's Ten Year Network Development Plan.</p>

³³ Baltic InteGrid (2016), 'Interview with Dr. Olga Bogdanova', available at <http://www.baltic-integrid.eu/index.php/newsreader/interview-with-olga-bogdanova-policy-area-coordinator-for-the-policy-area-energy-pa-energy-of-the-eusbsr.html>

3.1.4 Lessons from the Baltic Sea Region

Being the first to experiment with the structure and implementation of a MRS in the EU, the EUSBSR has been updated and revised since its establishment. As part of this, a few key lessons can be extracted:

- Macro-regional strategies can be important vehicles for structuring and formalising interaction and cooperation, particularly where there are common interests and challenges. The BEMIP success shows the potential of MRS.
- Political importance of and attention to certain thematic areas, such as energy security and interconnections, can help reinforce cooperation and thereby the success of the strategy.
- Synergies with other regional structures, capitalising on their existing expertise and wider membership is useful and can be achieved, for example through joint meetings with a formalised role within the strategy.
- There are limits to what macro-regional strategies can achieve beyond areas where common interests or concerns exist, especially in areas where national agendas dominate.
- While large-scale initiatives had the most impact in the energy sector, such as the development of infrastructure, the macro-strategy appears to have most added value for smaller projects.
- The EUSBSR governance structures are based on BEMIP and are rather top-down in design; deviations of the structure to cater for collaboration in other areas of common interest need to be set up, for example for collaboration on energy efficiency.

3.2 EU Strategy for the Danube Region (EUSDR)

- Set up in 2011, as the second EU macro-regional strategy.
- It is composed of 14 countries, 9 EU Member States (Germany, Austria, Slovakia, the Czech Republic, Hungary, Slovenia, Croatia, Romania and Bulgaria) and 5 non-EU countries (Serbia, Bosnia and Herzegovina, Montenegro, Moldova and Ukraine).
- The structure is based on the navigable region of the Danube River, having the purpose to improve its navigability and environmental impact.
- Energy is another common challenge for the region, as fragmented markets and over-reliance on a limited number of energy suppliers leads to high costs and low security of supply. To tackle these challenges, the EUSDR works on increasing the interconnectivity between its member countries and on improving energy efficiency and the deployment of renewable energy sources.

Origin of the macro collaboration

The EUSDR was developed as a response to the challenge of improving navigability and overcoming the socio-economic disparities in the Danube River Basin. Being used below its full capacity, a need for cooperation emerged in order to improve navigation on this major European transport corridor. Increasing multimodality and extending the infrastructure in an environmentally-friendly manner are some of the key concerns. Simultaneously, combating trafficking, improving nature conservation, and managing floods and industrial pollution of the Danube are further objectives that the participating countries have in common.

The MRS covers Germany (Baden-Württemberg and Bavaria), Austria, Croatia, the Slovak Republic, the Czech Republic, Hungary, Slovenia, Romania and Bulgaria, as well as countries not in the EU, Serbia, Bosnia and Herzegovina, Montenegro, the Republic of Moldova and Ukraine. The regional scope itself shows that this MRS faces a governance, regulatory and financial challenge, as the non-EU countries are not beneficiaries of the ESI Funds or part of the EEA and thus the single market and do often have important administrative capacity challenges to engage at national and local level. This means that from the start there will be a serious asymmetry in the development of joint initiatives.

Nonetheless, there are some potential problems when it comes to the level of integration that can be achieved in the region, due to the high number of participating countries and the significant differences between their interests and priorities. This problem is only further exacerbated by the fact that in some countries, those lacking a history of decentralised governance, only some of their sub-national administrative entities are part of the MRS. Therefore, in a country like Germany, with a decentralised administrative system, regional cooperation that does not involve the central government will be more productive than in a country like Ukraine. However, while the region is yet to become effectively integrated, there are a number of issues that require cross-border cooperation, which will undoubtedly lead to strengthening the inner coherence of the EUSDR.

3.2.1 Governance

Similar to the general governance structure of other MRS, the EUSDR is structured in a multi-level fashion. The High-Level Group, consisting of official representatives from all Member States, assists the European Commission in establishing policy orientation and priorities. This forum is consulted by the European Commission for the revision of Action Plans and for reporting and monitoring activities. Such decisions are discussed in an Annual Forum.

The thematic fields are led by officials from national and regional levels, who occupy the position of Priority Area Coordinators (PACs). Each Priority Area (PA) is jointly coordinated by two countries, for which the two responsible countries delegate a PAC. The Steering Groups bring together the PACs with members from all involved Member States, creating a forum of experts that drives the day-to-day implementation of the MRS. A Steering Group exists for each of the PAs. The work of the PACs and the Steering Groups is trans-national, inter-sectoral and inter-institutional.

The National Coordinators (NCs) serve a coordination function within the national and regional government. They directly engage in the implementation of the twelve PAs. One of the crucial roles of the NCs is that of promoting and informing the national level on the EUSDR and its development. The meetings of the National Coordinators are chaired by a country holding the rotating presidency.

A key component of the governance structure of the EUSDR is the Danube Strategy Point (DSP), which was initially established in 2015. After one year of inactivity, it was restarted in 2018 as a body that contributes to the implementation process of the MRS, supporting both the Commission, the PACs and the NCs in their coordination activities. Moreover, it also promotes the interests of the MRS at the EU level and administers funds originating from EU institutions in the Framework for Technical Assistance of Priority Areas. The DSP is funded through the Interreg Danube Transnational Programme, which is actively involved in supporting the governance structures and implementation efforts of the EUSDR.

3.2.2 Overall strategy and objectives

The cooperation activities in the EUSDR are split into four main pillars:

1. *Connecting the region:* The Danube River represents an inland waterway and a major transport corridor cutting through Europe. The EUSDR is focused on ensuring that this transport corridor is no longer used below its optimal capacity. This means extending infrastructure and increasing cooperation across the Danube Basin. In addition, the EUSDR also aims to increase the interconnectivity of the region on energy.
2. *Protecting the environment:* The hydrological basin of the Danube also represents an ecological corridor. Common issues that require increased cooperation include sustainable water management, reduction of pollution and control of hazardous substances. In order to avoid damages caused by major flooding, droughts and industrial pollution, the region should work on prevention and risk-preparedness activities.
3. *Building prosperity:* The region is characterised by wide socio-economic disparities, containing both some of the wealthiest and some of the poorest regions in Europe. The EUSDR also aims to enhance conditions in marginalised communities and improve the educational and training opportunities for the citizens of the region.
4. *Strengthening the region:* The Danube Region also faces some of the most serious problems when it comes to security and serious crime. Therefore, combating trafficking and organised crime is also a concern of the EUSDR.

3.2.2.1 Strengths and weaknesses

The following SWOT analysis highlights some of the main strengths and weaknesses of the EUSDR. The strategy has been relatively successful when it comes to engaging in bottom-up efforts to define the priorities of the region on energy matters. The Member States commissioned a number of studies on the regional markets for gas, biomass, electricity grids

and geothermal energy. The results of these studies helped establish the areas on which the region should focus and even identify potential Projects of Common Interest (PCIs). One example is the identification of geothermal energy as a key sector for investment, given the high potential for this form of energy in the region.

Another strength of the region has been the ability to engage non-EU countries in dialogue and socialisation, which highlights the ‘soft power’ capacities of such instruments of regional cooperation. This has led to the creation of networks and a culture of cooperation between the participating countries. Nonetheless, with over 14 Member States that have different forms of relationships with the EU, the EUSDR is highly heterogeneous in nature. Consequently, there are also wide differences in the level of commitment to macro-regional cooperation exhibited by Member States. Some countries only achieve poor attendance at meetings and are unable to dedicate sufficient resources to this endeavour. This heterogeneity can also be a problem when it comes to funding energy projects, as EU Member States have access to a wider range of financing mechanisms than some of the Western Balkan partners or Ukraine and Moldova.

In addition, some participating countries do not have a history of decentralised governance, which can be problematic when only parts of a state are involved in macro-regional cooperation. A clear example of this is the difference between Germany and Ukraine, both countries that only participate in the EUSDR with some of their administrative sub-divisions. Germany, with its federalised government, has sufficient capabilities to work at a sub-national level. There are also further problems that emerge from the different administrative cultures of the participating Member States. The units responsible for the management of the EUSDR can be found at different administrative levels in each country, which once again, can have an impact on the commitment of a country to macro-regional coordination. In the Czech Republic, the EUSDR unit is part of the Prime Minister’s office, while in Hungary it can be found at the ministerial level. This can lead to confusion in communication and to conflicting priorities between participants.

However, the rotating presidency system can be an instrument that ensures that all participating states are engaged with the EUSDR. Developments at the EU level can represent significant opportunities for the region, including in the energy sector. Under the new Regulation on the Governance of the Energy Union, Member States have to produce Integrated National Energy Plans. Under these new rules, countries have to ensure they have taken matters of regional cooperation into account, with the possibility of commenting on their neighbouring country’s plans. Moreover, instruments such as the EUSDR simultaneously give non-EU countries the chance to voice their opinion on energy infrastructure projects in EU countries and to participate in dialogue on the EU priorities.

When it comes to the threats to the EUSDR, a key issue is the fact that the region can be overly-reliant on the European Commission for initiative and intervention. Without an active involvement from the European Commission, the region might face difficulties in establishing priorities and even a gridlock situation. On the energy side, most threats are sector-specific. Here the problem of heterogeneity emerges once again, as the participating countries have

different energy systems, which rely on uncoordinated national support schemes and different technologies. Given concerns of security of supply, countries tend to also be inward-looking, when it comes to energy matters.

Another potential problem is the membership overlap with the Central and South Eastern Europe Energy Connectivity (CESEC) High Level Group and the Energy Community, which can be higher on the agenda of both the Commission and the participating countries. CESEC already provides substantial funding opportunities for EU Member States, while the Energy Community ensures policy convergence in non-EU countries. This overlap needs to be clarified alongside the EUSDR's role in this nexus of international cooperation. An additional threat is the lack of funding available specifically for the EUSDR, which makes it difficult to convince private investors of the viability of collaborating within this framework.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Strong bottom-up efforts by the Member States to define the energy priorities of the region and to lobby for them at the EU level • Modelling and planning done through joint projects to identify region-specific energy needs • Soft power of the MRS is highly beneficial for engaging non-EU countries in meaningful EU discussions <ul style="list-style-type: none"> ○ Creates networks and a culture of cooperation 	<ul style="list-style-type: none"> • Highly heterogeneous – 14 countries that are very different and have different relations with the EU <ul style="list-style-type: none"> ○ Some countries engage insufficiently with the MRS and rarely participate ○ Difference in the level of engagement between EU Member States and non-EU countries • The level in the public administration at which each country deals with the EUSDR is different
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • New MFF – Inter-macro-regional cooperation is needed to ensure clear financing for MRS projects in the next MFF • New Energy Union Governance – increased scope for regional cooperation through the Integrated National Energy and Climate Plans 	<ul style="list-style-type: none"> • Specific problems of energy policy: national strategies tend to be inward-looking and focused on uncoordinated national support schemes • Very little funding from the EU <ul style="list-style-type: none"> ○ Difficult to pitch to private project developers • Overlap with CESEC High Level Group and the Energy Community <ul style="list-style-type: none"> ○ Unclear where the EUSDR fits in this nexus • The political traction of the MRS depends heavily on Commission initiative and intervention

3.2.3 Energy aspects and good practices

Energy markets are highly fragmented among the EUSDR participating countries, which combined with a low number of energy suppliers leads to high energy prices and low security of supply. Imports of primary energy in the region are an important concern. A greater diversity of supply at national level through interconnectors and the establishment of a genuine regional market will inevitably increase energy security. Consequently, cooperation among Danube Region countries is highly important for ensuring security of supply, for creating a functioning energy market and for achieving economies of scale in investments.

In order to tackle these problems, the region works towards increased interconnectivity, use of renewable energy and energy efficiency. For energy infrastructure, the aim is to coordinate long-term energy policies as well as national investment strategies to create win-win situations for all countries. Regarding energy efficiency and renewable energy, there still remains significant untapped potential in the region. Reducing energy needs and increasing the share of energy produced at local level (including small scale energy production) would be beneficial for all consumers across the region.

Given these concerns, the EUSDR has an entire Priority Area (PA) dedicated to energy, which is part of Pillar 1 – Connecting the Region. Therefore, PA2 – Sustainable Energy strives to encourage sustainable energy systems in the region through three key objectives:

1. Helping achieve the national targets based on the Europe 2030 energy and climate target;
2. Removing the existing bottlenecks in energy in order to fulfil the goals of the Energy Union within the Danube Region;
3. Improving the interconnectivity of the region through joint activities with relevant initiatives and institutions.

In addition, PA8 of Pillar 3 Competitiveness of Enterprises also touches on energy issues. Its objective is to improve the technological knowledge and implementation level of environmental technologies, through the presentation of the latest know-how in the area. Best practices in this regard range from sewage treatment and solid waste management to the generation of energy from renewable energy sources. This objective also aims to identify the regional decision-makers responsible for submission of project applications.

A number of notable energy projects have been implemented in EUSDR. A range of studies on gas, electricity markets, interconnectivity, biomass and geothermal energy have been conducted in order to understand the region's potential and on which areas it should focus. For example, the Danube Region Geothermal Concept (DanReGeotherm) aimed at developing a uniform and transparent geothermal database for the entire region, which will consist of geological and geothermal data, as well as regulatory, economic, social and environmental aspects for each individual country. Such a database is crucial for identifying where an investment would have the highest potential. Demonstration projects were also used in conjunction with such studies and databases. The South Hungarian Enhanced Geothermal

System Demonstration Project (SHEGSDP) was developed in order to better understand the viability of the Enhanced Geothermal System (EGS) for producing electrical power and heating.

The best example of a cross-border energy project that has been developed in the EUSDR is the LNG Master Plan for Rhine-Main-Danube. The project delivered a market and regulatory assessment, feasibility studies, technical concepts and a comprehensive strategy and recommendations for deployment of LNG in inland waterway transport, which sets actions and measures needed for the wide-scale deployment of LNG in inland water transport. It delivered technical concepts for new and retrofitted vessels being propelled by LNG and transporting LNG, as well as a significant number of pilot deployments of vessels and one terminal. A lesson from both this project and for the SHEGSDP is the necessity to engage with private investors in order to ensure the necessary financing for the project. In both cases, more than half of the financial needs had to be covered by other sources than EU funding.

Region-level studies are also used to understand the negative impact that uncoordinated national support schemes can have on the level of employment for renewable energy sources. The Regional Sustainable Energy Policy (ReStEP) was such a project. Market models and concepts have also been produced for the region through such studies.

In order to further improve the funding mechanisms that can be used for EUSDR projects, the European Commission recommends³⁴ that managing authorities and monitoring committees of ESI Funds programmes should cooperate with regional actors to develop and apply project selection criteria that recognise the added value of MRS projects. The online platform EuroAccess Danube Regions online platform has also been set up as a one-stop-shop for the access of information on EU funding, offering project developers a centralised instrument for obtaining information of the available financing opportunities.

LNG Master Plan
LNG Master Plan for Rhine-Main-Danube
DESCRIPTION
Launched: January 2013
Objectives: To prepare and to launch the full-scale deployment of LNG as environmentally-friendly and efficient fuel and cargo in the inland navigation sector within the Rhine/Meuse-Main-Danube axis
Working method: Conduct a market and regulatory assessment; Provide technical concepts for retrofitting ships; Build one demonstration terminal
Funding: EUR 10.2 million (50% of total) from TEN-T Multi-Annual Programme 2007-2013
Implementing partners: Pro Danube Management GmbH (project leader)
ACHIEVEMENTS: The LNG Masterplan created a platform for cooperation between authorities and industry stakeholders with the purpose of facilitating the elaboration of a harmonised European regulatory framework for LNG as fuel and cargo in inland navigation and to promote the introduction of LNG as a fuel and cargo for inland shipping.

³⁴ European Commission (2016), 'Commission Staff Working Document on the implementation of EU macro-regional strategies', SWD(2016) 443 final, Brussels, 16 December, 2016.

SHEGSDP
South Hungarian Enhanced Geothermal System Demonstration Project (SHEGSDP)
DESCRIPTION
Launched: December 2013
Objectives: The project will develop an Enhanced Geothermal System (EGS) reservoir in the south part of Hungary and build a geothermal power plant to deliver 8.9 MW of net electric power from the reservoir over a period of 20 years.
Working method: Build a demonstration project for testing the viability of EGS technology
Funding: EUR 39.3 million (25% of total) from NER 300
Implementing partners: EU-FIRE EGS Hungary Kft
STATE OF PLAY: Estimated to become operational in 2020

3.2.4 Lessons from the Danube Region

- Inner coherence needs to be ensured for macro-regional strategies. A highly heterogenous membership may lead to problems of commitment and participation in regional cooperation.
- Overlaps with other regional coordination bodies must be clarified.
- Participating countries should collaborate in establishing their main region-specific energy goals and move away from an inward-looking mentality.
- Energy projects should be tailored to the specific needs of the region.
- Clear financing mechanisms are needed for ensuring both the commitment of participating countries and for convincing private investors about the viability of engaging in specific projects.

3.3 EU Strategy for the Adriatic and Ionian Region (EUAIR)

- Set up in 2014
- It is composed of eight countries: four EU Member States (Croatia, Greece, Italy, Slovenia) and four non-EU countries (Albania, Bosnia and Herzegovina, Montenegro, Serbia).
- The governance structure is based on: The Governing Board, National Coordinators, Thematic Steering Group members and Pillar Coordinators.
- Energy priorities are covered in the Thematic Pillar 2 – Connecting the Region, under Activity 6 – Energy networks. However, there are no specific activities or projects on energy-only topics.

Origin of the macro-regional collaboration

The Adriatic and Ionian Region, covering more than 70 million people, is a functional area primarily defined by the Adriatic and Ionian Sea basins. It builds on the inter-governmental Adriatic and Ionian Initiative (AII), which was launched in 2000 and involved eight countries, the

same as the EUSAIR: four EU Member States (Croatia, Greece, Italy, Slovenia) and four non-EU countries (Albania, Bosnia and Herzegovina, Montenegro, Serbia).

The Adriatic and Ionian Region MRS (EUAIR) is benefiting from existing regional cooperation frameworks and initiatives, the most relevant being: The All, the Union for the Mediterranean, SEETO, the Energy Community, the Barcelona Convention, the Regional Cooperation Council, the Adriatic-Ionian Euro region and the Conference of Peripheral Maritime Regions of Europe. EUSAIR aims to complement, and not duplicate, the role and activities of already established regional cooperation structures, and has already created synergies between its Thematic Steering Groups and relevant initiatives and cooperation frameworks.

3.3.1 Governance

In the case of EUSAIR, the Joint Statement,³⁵ adopted in November 2014 by the Foreign Ministers of each member country determined the overall governance structure, which developed according to a three-layer design:

Political: at this level, the EUSAIR ministerial meetings are organised in tandem with the Adriatic-Ionian Council, in an approach similar to the one at the coordination level.

Coordination: A Governing Board coordinates the work of the Thematic Steering Groups (TSGs) responsible for the implementation of the strategy, which in turn provides strategic guidance for the Action Plans. The Governing Board is co-chaired by the European Commission and the country holding the rotating presidency of the Adriatic and Ionian Initiative.

Implementation: The activities of the macro-region are structured in four pillars, each managed by one TSG, co-chaired by one EU Member State and one non-EU country. This structure is depicted in Section 3.3.2. The TSGs are composed of representatives from relevant sectoral departments in the countries, who are entrusted with the implementation of the strategy through identifying the actions and projects with a macro-regional value that will best contribute to the achievement of its objectives. Each pillar is coordinated by two appointed Pillar Coordinators from two countries (one EU Member State, one non-EU country).

Through the Adriatic-Ionian Transnational Cooperation Programme, Interreg also contributes to the Adriatic and Ionian macro-region's implementation by financing the EUSAIR Facility Point (an autonomous entity that provides secretarial support and assistance to the governance efforts of both the Governing Board and the Thematic Steering Groups). The Facility Point uses funding from the transnational programme ADRION.

³⁵ Joint Statement of the Representatives of the Countries Participating in the EU Strategy For the Adriatic and Ionian Region on a Governance and Management System, Set Up in Partnership with the European Commission, for the Implementation of the Strategy, Brussels, 18 November 2014, available online at http://ec.europa.eu/regional_policy/sources/cooperate/adriatic_ionian/pdf/joint_statement_governance_en.pdf

3.3.2 Overall strategy and objectives

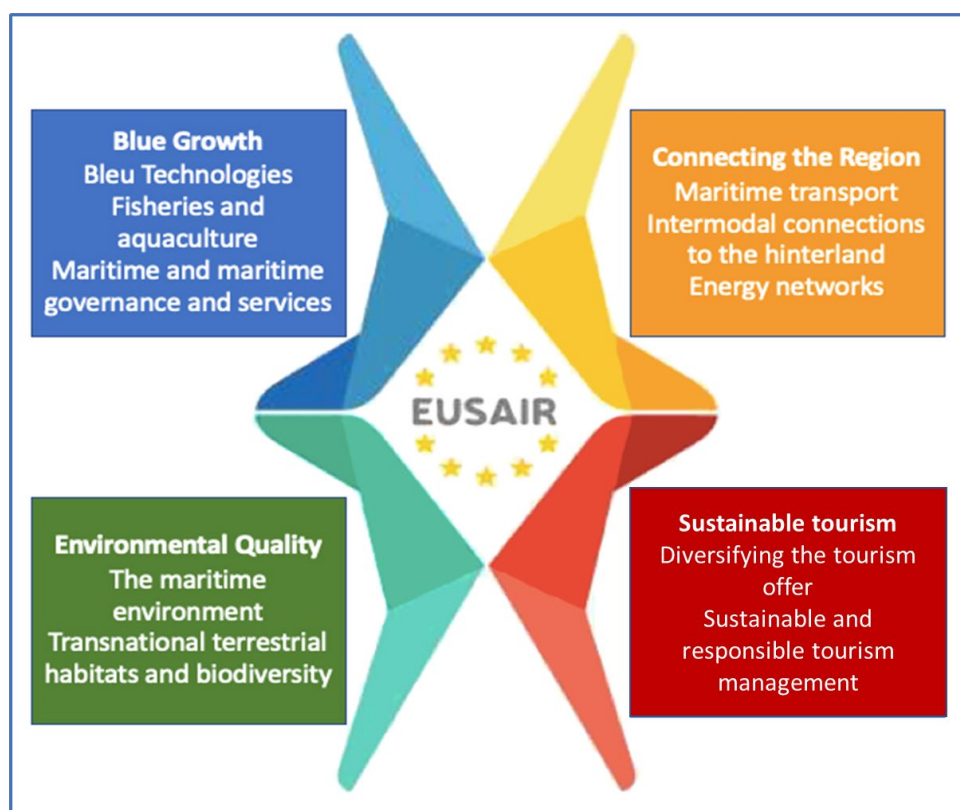
The general objective of the EUSAIR is to promote sustainable economic and social prosperity in the region by improving its attractiveness, competitiveness and connectivity. The strategy is also expected to play an important role in promoting the EU integration of the Western Balkans.

EUSAIR is built on four thematic pillars addressing the core challenges and opportunities identified as being of central importance for the Adriatic and Ionian Region:

- Pillar 1. Blue Growth;
- Pillar 2. Connecting the Region;
- Pillar 3. Environmental Quality;
- Pillar 4. Sustainable Tourism.

Figure 3-1 depicts the pillars and the underlying topics where EUSAIR can provide enhancement.

Figure 3-1. EUSAIR Pillar structure



Source: Interreg ADRION Programme (2018).³⁶

³⁶ Interreg ADRION Programme (2018), "A View Ahead Together. Introduction to EUSAIR", 1st Annual Event of ADRION, Catania, 23 May 2018, <http://www.adrioninterreg.eu/wp-content/uploads/2018/06/ADRION-EVENT-EUSAIR-PPT.pdf>

In addition, two cross-cutting aspects (“Strengthening R&D, Innovation and SMEs” and “Capacity building, including communication”) function across each pillar. Similarly, mitigating and adapting to climate change effects, as well as managing disaster risks are recognised as horizontal principles for all pillars.

3.3.3 Strengths and weaknesses

This section presents an initial qualitative SWOT analysis that looks at the governance structure in the EUSAIR region. The information included is the result of desk research and stakeholder interviews.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Cooperation within the EUSAIR helps the Western Balkan countries in their EU integration process • Capacity building and exchange of best practices supporting the training of public officials from non-EU countries • Relative autonomy and organisational uniqueness of the Facility Point (FP) • The Facility Point (as a top-down initiative) provides secretarial support and communication services to the TSGs and Governing Board • Stakeholders engage for knowledge transfer, support and common project financing • Bottom-up initiative (from the TSGs) for cross-pillar coordination development • Regular communication with INTERACT • Facility Point proves useful for the activities and cooperation of EUSAIR 	<ul style="list-style-type: none"> • Facility Point as a compromise of governance structure negotiations • Covers too many countries and regions, not a functional regional unit • Reduced operational capacity of non-EU countries • TSG reliance on coordination from the Facility Point • Facility Point funding coordination does not include funding for large infrastructure projects • Fragmented pillar communication with the European Commission • Reduced cooperation of EUSAIR territorial members is due to heterogeneity and diverging political will • Intra-state low political visibility and recognition of the EUSAIR strategy • No Facility Point project on energy-related topics • Reduced cooperation on funding
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Creation of a stakeholder platform • Development of cross-pillar coordination • Opportunities to coordinate with Western Balkans Investment Framework (WBIF) • Developing the EUSAIR as a platform for negotiation with the European Commission on funding • Development of cross-MRS structured meetings 	<ul style="list-style-type: none"> • Political and geographical heterogeneity of the EUSAIR region • Regional political frictions between EUSAIR members can hamper advances • Partial flexibility of the EUSAIR governance structure • Reduced political ownership of the MRS due to limited recognition

<ul style="list-style-type: none"> • Strengthening of capacity building in the region • Increasing cooperation between EUSAIR members through the communication package and monitoring and evaluation package • Expanding the focus of the EUSAIR meetings from projects to process • Ensure better funding of EUSAIR through the new Multiannual Financial Framework • Bridging the gap between political commitments and the implementation of the MRS 	<ul style="list-style-type: none"> • Reduced funding and differing processes in non-EU countries using the Instrument for Pre-Accession Assistance (IPA) • Lack of funding for IPA countries could lead to reduced involvement in EUSAIR and increase discrepancies with EU Member States
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3.3.4 Energy aspects and good practices

Under Pillar 2 – Connecting the Region, one of the specific objectives of the Strategy is to achieve a “well-interconnected and well-functioning internal energy market supporting the three energy policy objectives of the EU – competitiveness, security of supply and sustainability”.³⁷ This objective is foreseen as being achieved under Action Topic 3 – Energy networks. However, at the moment, EUSAIR has no specific activities or projects on energy-only topics. This shortcoming would need to be addressed if the objectives of the second pillar are to be met.

The macro-region is affected by adverse energy politics, which reflect the emphasis on sovereign state interests and the reticence towards transnational cooperation and multi-level governance. This was highlighted by the oil and gas explorations issues in the Adriatic and Ionian seas, situations where EUSAIR members³⁸ attempted to achieve their own energy independence at the expense of transnational cooperation and the protection of the environment.³⁹ Such energy policy attempts revealed states upheld only some of the principles of macro-regional cooperation, while disregarding other supranational aspects of macro-regional strategy, and neglecting local administrations and non-state actors.

When looking at good practices for the development and funding of energy-related projects in the future, the examples listed below (on LNG-based maritime mobility and interregional electromobility networks) can be beneficial.

³⁷ EUSAIR, “Pillars”, <https://www.adriatic-ionian.eu/about-eusair/pillars/yellow-pillar/>

³⁸ See the exploration and extraction plans of natural resources in the Adriatic Sea by Italy and Croatia.

³⁹ Belloni, R. (2019), “Assessing the rise of macro-regionalism in Europe: the EU Strategy for the Adriatic and Ionian Region (EUSAIR)”, *Journal of international Relations and Development*, 22 February 2019. <https://doi.org/10.1057/s41268-019-00170-y>

Super-LNG
Sustainability Performance of LNG-based maritime mobility
<p>DESCRIPTION</p> <p>Launched: 01.01.2018</p> <p>Objectives: To enhance the capacity for integrated transport and mobility services and multimodality in the Adriatic and Ionian Region, in an environmentally-friendly and low-carbon way. This will be done by supporting the safe exploitation of LNG for marine propulsion and port machinery.</p> <p>Working method: Produce a strategy for harmonised region-level guidelines; Create an Action Plan; Establish a permanent network of experts.</p> <p>Funding: EUR 760,792 (from Interreg V-B Adriatic-Ionian out of a total of EUR 895,049)</p> <p>Implementing partners: National Centre for Scientific Research 'DEMOKRITOS'</p> <p>STATE OF PLAY: to be finalised by 30.06.2019</p>

EnerMOB
Interregional Electromobility Networks for interurban low-carbon mobility (EnerMOB)
<p>DESCRIPTION</p> <p>Launched: 01.01.2018</p> <p>Objectives: To enhance capacity building to plan and implement Adriatic-Ionian 'Interregional Electromobility Networks'; To study and support common solution for the electric transport system.</p> <p>Working method: Build transnational knowledge on electromobility infrastructure; Develop coordinated regional strategies for electromobility; Exchange of skills between experts.</p> <p>Funding: EUR 1,039,136 (from Interreg VB Adriatic-Ionian out of a total of EUR 1,222,513)</p> <p>Implementing partners: Free Municipal Consortium of Ragusa</p> <p>STATE OF PLAY: To be finalised on 31.12.2019</p>

3.3.5 *Lessons from the Adriatic and Ionian Region*

Some preliminary observations and lessons have emerged from the stakeholder' interviews and desk research, which are highlighted in this section. Further research is required to obtain more in-depth insights on the specificities of the Adriatic and Ionian Macro-Regional Strategy.

On governance:

- The Facility Point proves crucial for the activities and cooperation of EUSAIR.
- The overlapping of geographical coverage of the macro regions can allow for the development of complementarity, synergies and sharing of information. As in the case of Slovenia, with its limited administrative capacity, its participation in the three macro regions has produced a more effective internal structure, sound inter-ministerial cooperation, regular exchange of information and alignment of opinions. In turn, this has led to an improvement of its internal governance and national coordination structure.

- Inter-strategy coordination leads to enhanced internal governance of the MRS.
- Visibility of activities helps with establishing joint efforts and finding appropriate resources. However, local media coverage of the macro-region is very low.
- National parliaments should also be involved in supporting the activities of the macro-regional strategies.
- EUSAIR offers opportunities for cooperation between EU and the non-EU countries. The Strategy provides favourable circumstances for capacity building and best practice exchange, which aid in training officials from non-EU countries in international culture.
- Each non-EU country co-leads one of the EUSAIR thematic pillars, together with one EU Member State. This process assists involvement of the appropriate levels of governance (including stakeholders such as civil society) and allows for an increased awareness of collaboration opportunities and project funding options.
- There is room for EUSAIR member countries to grow in bridging the gap between the high-level political commitments and the implementation of the Strategy through activities, projects and appropriate allocation of resources.
- The coordination of work between the four thematic pillars, and between the Thematic Steering Groups, is reinforced through the organisation of technical meetings of Pillar Coordinators the day preceding the Governing Board meetings. Such meetings aid the decision-making process and discussions of the Governing Board.

On project funding:

- EUSAIR requires better alignment with ESIF (and IPA) funds, considering that these funding sources represent a large share of public investment in EUSAIR countries.
- The macro-region is faced with low state funding from its members, which affects political support.

On coordination:

- At the national level, intra-country coordination between the different levels of administration is progressing. For instance, in Slovenia, the National Coordinator (of the three macro-regional strategies of which they are part) is promoting the coordination between ministries, while in Italy there are horizontal and vertical coordination structures between the central and regional administrations.
- As with the EUSDR and EUSALP macro-regional strategies, EUSAIR is involved in growing coordination efforts to facilitate contacts and synergies, streamline response-time to common challenges, share knowledge and best practices, and enhance visibility of activities.

- Cooperation with EU Member States on issues of common interest within the EUSAIR is helping Western Balkan countries improve their alignment to the EU acquis.

3.4 EU Strategy for the Alpine Region (EUSALP)

- Set up in 2015.
- It is composed of the following five EU Member States (and regions) and two non-EU countries: Austria, France (Franche-Comté, Auvergne-Rhône-Alpes, Provence-Alpes-Côte d'Azur), Germany (Baden-Württemberg, Bavaria), Italy (Friuli Venezia Giulia, Liguria, Lombardia, Piemonte, Provincia Autonoma di Bolzano, Provincia Autonoma di Trento, Valle d'Aosta, Veneto), Slovenia, Liechtenstein and Switzerland.
- The Alpine Region Strategy aims to complement and benefit from the long experience and existing territorial cooperation structures: The Alpine Convention, Interreg Alpine Space, Arge-Alp, CIPRA, Euregio, Alpe-Adria, The Zurich Process, COTRAO.
- Energy is an important part of the *3rd Thematic Policy Area: Environment and Energy*, which has as an objective “a more inclusive environmental framework for all and renewable and reliable energy solutions for the future”. Part of this policy area is Action Group 9, whose mission is to “make the territory a model region for energy efficiency and renewable energy”.

Origin of the Alpine regional cooperation

The Alpine Region has benefited from the historical development of various cooperation structures, of different scopes and geographical coverage, creating “project regions” in the Alps. Some of the most relevant structures include: The Alpine Convention, Interreg Alpine Space, Arge-Alp, Alpine NGOs (CIPRA, ISCAR, ALPARC, Alliance in the Alps, CAA), Euregio, Alpe-Adria, The Zurich Process, COTRAO, Espace Mont-Blanc. This configuration has opened diverse networks of cooperation between regional policy and administrative actors, mobilising resources and sharing power responsibilities within the various structures. The EU’s Macro-Regional Strategy will stand to benefit from the existing network of communities, initiatives, projects and cooperation frameworks. Moreover, the EUSALP Strategy is based on the lessons and experience of the previously existing European macro-regional strategies for the Danube Region, Baltic Sea Region, and Adriatic and Ionian Region. The Alpine Region is a large economic and productive region in Europe, covering almost 10% of EU’s surface, representing a territory of 80 million inhabitants (16% of the EU’s total population), and generating 20% of EU’s GDP. The dominant challenges the region faces are: demographic trends, economic globalisation, climate and energy challenges, and geographical features.

3.4.1 Governance

The EUSALP MSR is developed according to a three-level structure, summarised as follows:

- **Political:** The General Assembly (GA) sets forth the overall political guidelines of the Strategy and it also has the ability to organise ministerial meetings to increase the political traction of the MRS. The GA functions on a rotating presidency system.
- **Coordination:** The Executive Board, responsible for both the horizontal and vertical coordination of the EUSALP Action Plan, is formed by representatives of the States and Regions. The Executive Board endorses actions for the effective implementation of the EUSALP Strategy and consists of: Representatives of the Regions and States, National Coordinators, the European Commission (DG Regio, as independent facilitator) and members in an advisory role (the Alpine Convention and Interreg Alpine Space).
- **Implementation:** is carried out through nine Action Groups comprised of representatives from national, regional and local administrations, most of which are authorised with decision-making capacity. The Action Groups are the leading actors that execute the daily implementation of the EUSALP Strategy.

The Alpine Space Programme AlpGov Project⁴⁰ contributed through its funding to the implementation of the EUSALP governance structure and the mechanisms outlined in the Action Plan.

The operational principles of the governance of EUSALP were defined by the Milan Declaration of the Alpine States and Regions (2014)⁴¹ and integrated in the Action Plan for EUSALP Macro Region,⁴² the Council Conclusions of 21 October 2014,⁴³ and the 2013 Grenoble Political Resolution on a European Union Strategy for the Alpine Region.⁴⁴ Comprehensive administrative and governance functions are now under development by the EUSALP regions and states.

Some of the challenges the EUSALP governance system is facing are the fostering of increased coordination, reduction of fragmentation and improvement of dialogue among the variety of territorial decision-making levels within and between the states and regions. An effective

⁴⁰ Implementing Alpine Governance Mechanisms of the EU Strategy for the Alpine Region – AlpGov <https://www.alpine-space.eu/projects/alpgov/en/home>

⁴¹ European Union Strategy for the Alpine Region EUSALP, (2014), “Milan Declaration of the Alpine States and Region”, EUSALP Stakeholder Conference Milan, <http://www.alpine-region.eu/sites/default/files/uploads/page/24/attachments/milandeclaration01122014.pdf>

⁴² European Commission (2015) 284 final, “Staff working document accompanying the Communication from the commission to the European parliament, the Council, the European Economic and Social Committee and the Committee of the Regions concerning the European Union Strategy for the Alpine Region”, SWD (2015) 366 final. <https://www.alpine-region.eu/sites/default/files/uploads/page/24/attachments/eusalpactionplan28072015.pdf>

⁴³ European Council (2014), “Council conclusions on the governance of macro-regional strategies”, 16207/14, https://ec.europa.eu/regional_policy/sources/cooperate/macro_region_strategy/pdf/concl_gov_macro_strat_en.pdf

⁴⁴ Grenoble Conference (2013), “Political resolution towards a European Union Strategy for the Alpine region”, 18 October 2013. https://ec.europa.eu/regional_policy/sources/cooperate/alpine/grenoble_131018_resolution_fin_sig_en.pdf

engagement of stakeholders would also lead to the sharing of information and identification of policy gaps.⁴⁵ The development of the previous macro-regional strategies has aided EUSALP in designing a more effective implementation through the creation of a two-level coordination structure formed of the national (National Coordinators) and macro-regional level.

3.4.2 Overall strategy and objectives

The EUSALP Strategy aspires to maintain the region as one of the most attractive areas of Europe, improve the use of its resources and develop in a sustainable and innovative way. The strategy is achieved through three action-oriented thematic policy areas (Economic growth and innovation; Mobility and Connectivity; Environment and Energy), and a cross-cutting policy area (Governance). Each policy area has its own objective and priorities operated by Action Groups, as summarised in Figure 3-2.

3.4.3 Strengths and weaknesses

This section presents an initial qualitative SWOT analysis that looks at the governance structure in the EUSALP region. The information included is the result of desk research and stakeholder interviews.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Bottom-up functioning • Ensures collaboration between various decision-making levels (local, regional, national and European) • The co-existence of two structural levels: policy (strategic role) and management (with implementation responsibilities) • The historical tradition of favourable cooperation thorough various networks and structures of different actors and stakeholders • Administering collective goods (environmental protection, water resources, public transport, etc.) that do not necessarily require the development of projects under the MRS actions • Peer-to-peer collaboration among EUSALP actors 	<ul style="list-style-type: none"> • Unsettled frictions between strategic planning and implementation • Somewhat ineffective cooperation among the actors of various hierarchical levels (ministerial departments with regional authorities) • Difficulties with securing a homogenous degree of involvement at the national level • A lack of effective communication, accountability, transparency and updated information on projects • Project funding and dissemination of information

⁴⁵ EU Strategy for the Alpine Region EUSALP, “Objectives”, <https://www.alpine-region.eu/objectives>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Better coordination between and within the EUSALP actors • Stakeholder participation in the decision-making process • The political commitment of territorial governments (political ownership growing) • Better embedding of the EUSALP into future funding programmes. Mobilisation of financial resources to achieve the objectives of the strategy (bridging the gap between strategies and funding opportunities) • Coordination of national policies, and promotion of regulatory interventions • Monitoring system of project development, implementation and funding 	<ul style="list-style-type: none"> • Superseding strategic actions set in territorial cooperation frameworks • Lack of long-term sustainability and effectiveness of implemented projects

3.4.4 Energy aspects and good practices

The Alpine Region, beyond its traditional hydropower and biomass potential, is adapting to the fast-paced changes of the energy transition, which tends to unfold in the region as a complex systems of cross-border agreements.⁴⁶

When considering macro-regional integration, energy trade is a relevant component that reflects the preferred partners for outgoing energy exchange. The EUSALP region is registering a low level of energy integration based on the energy export indicator, which shows around 6% of energy products being exported to other countries in the macro-region.⁴⁷ The use of renewable energy in the EUSALP region is highest in Austria and Switzerland (where the share of renewables in the primary energy supply is at 30.4% and 20.1%, respectively), and lowest in France (8.8% share of renewables in primary energy supply).⁴⁸

Within the third thematic policy area (Environment and Energy) of EUSALP, which incorporates the actions and initiatives related to energy policies and projects, Action Group 9 started its activities in 2016 to “make the territory a model region for energy efficiency and renewable energy”. The EUSALP region, however, is lacking comprehensive and forward-looking research,

⁴⁶ Tomasi S. et. al., (2019), “EUSALP, a Model Region for Smart Energy Transition: Setting the Baseline”, in: Calabrò F., Della Spina L., Bevilacqua C. (eds) *New Metropolitan Perspectives*. ISHT 2018. Smart Innovation, Systems and Technologies, vol 100. Springer, Cham, https://link.springer.com/chapter/10.1007/978-3-319-92099-3_16

⁴⁷ COWI (2017), “Study on Macro-Regional Strategies and their links with Cohesion Policy”, Final Report, https://ec.europa.eu/regional_policy/sources/cooperate/macro_region_strategy/pdf/mrs_links_cohesion_policy.pdf

⁴⁸ Ibid.

data collection and analysis on energy topics. Several energy domains are unstudied, such as detailed energy consumption or energy targets assessment of the region.

Action Group 9 began addressing this issue by first commissioning the “EUSALP Energy Survey 2017”⁴⁹ as an online tool for qualitative energy data collection from territorial representatives in the region. The undertaking was aimed at collecting data on the energy production mix, consumption sectors, energy policy strategies and defined energy policy targets. The aim was to inform the Strategy’s decision-making process, provide insights into the existing energy balance in the region, and create a synopsis of the different local energy targets. Among the observations of the study, the EUSALP appears to register only around 19% of renewable energy in the overall balance of the gross final energy consumption of the region, despite the generous availability of natural resources and renewables potential in the region.⁵⁰ However, these energy balances are due to the geographical dimension of the EUSALP macro-region, which covers alpine regions that are net-exporters of electricity from renewable sources, and highly industrialised plains that are energy consumers (Lombardy, Baden-Württemberg, Bavaria, Auvergne-Rhône-Alpes, etc.). The heterogeneity of the EUSALP territory brings a diversified set of local energy targets, whose individual strategies are difficult to compare (mostly due to lack of common data accounting and reporting methodologies).

A crucial initiative of the EUSALP Action Group 9 is the establishment of the EUSALP Energy Observatory (currently in development), whose objective will be the collection of reliable energy data to facilitate the implementation and tracking of a long-term cross-border energy strategy for the Alpine Region.

Action Group 9 functions and develops its activities in alignment with the European energy policy framework (mostly comprised of the Energy Union Package, Energy Efficiency Directives, the European energy and climate package with its targets for 2020 and 2030) and its main objectives are:⁵¹

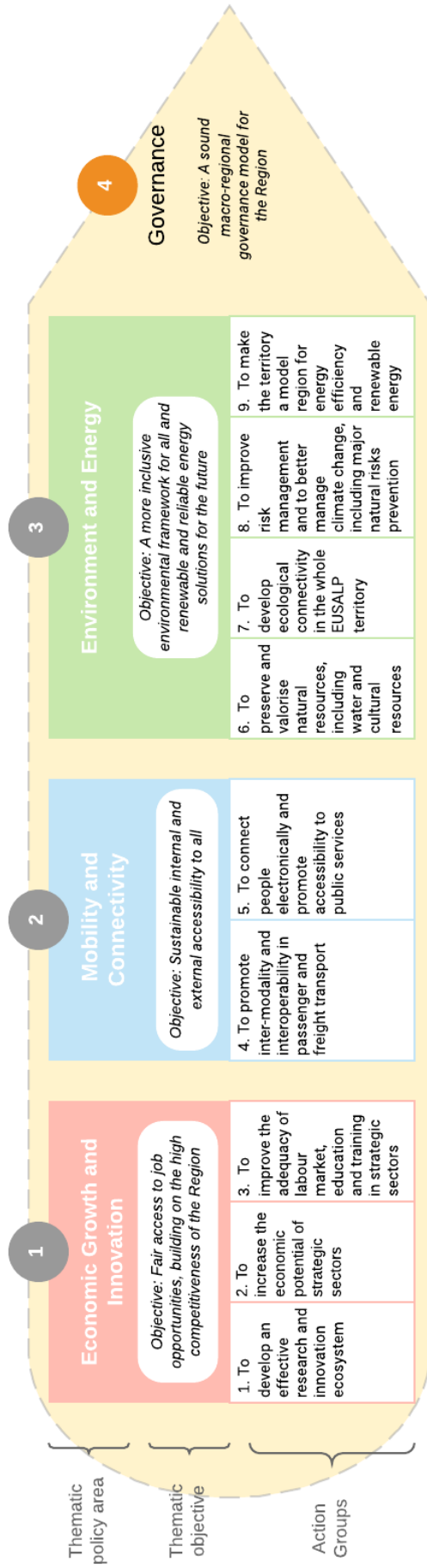
- to establish an Alpine energy efficiency cluster, that will act as a forum for innovation and cooperation for sharing technical solution for the Alpine Region;
- to promote assessment tools for public authorities for sustainable low-carbon buildings in the region (Greening the Alpine infrastructure);
- to create an Alpine renewable energy cluster;
- to support energy management systems in the Alpine;
- to promote the better use of local resources and increase energy self-sufficiency while reducing impacts on climate and the environment.

⁴⁹ Bisello A. et al., (2017), “EUSALP Energy Survey 2017”, available at https://www.alpine-region.eu/sites/default/files/uploads/activity/449/attachments/eusalp_energy_survey_2017.pdf

⁵⁰ Ibid.

⁵¹ EU Strategy for the Alpine Region, Action Group 9, <https://www.alpine-region.eu/action-group-9>

Figure 3-2. EUSALP policy areas and objectives



Source: Author's elaboration.

3.4.5 *Lessons from the Alpine Region*

Some preliminary observations and lessons have emerged from the stakeholder interviews and desk research, which are highlighted in this section.

On governance:

- The need for more harmonised data collection, monitoring and reporting methodologies on energy topics in the EUSALP region that can help to define a long-term energy strategy for the MRS.
- Involving territorial authorities and stakeholders in bottom-up collaborative processes (such as executing the EUSALP Energy Survey) can assist and empower policy makers to cooperate regionally on commonly shared long-term energy targets and on a regional energy strategy for EUSALP.
- The governance of EUSALP should complement and enhance the existing achievements in cooperation avoiding bureaucratisation and an excessive top-down planning which could damage rather than improve the level of regional cooperation and local stakeholder commitment.
- The EUSALP Strategy was created on cross-cutting policy areas, an aspect that should result in interlinkages in the governance structure.
- The development of the EUSALP governance framework builds upon the experience of the previous macro-regional strategies, and proposes a two-level coordination structure, consisting of a national level (National Coordinators) and a macro-regional level. There are, however, still misalignments between the two levels and their competencies. In the area of energy, the direct feedback loop between regional and national policy level is not consistent or immediate due to the lack of a national line ministry represented at the Executive Board level.
- The majority of EUSALP countries are involved in the Strategy with their regional administrations, in addition to the national/federal ones – this supports swifter actions and communication. The involvement of civil society in the works of the EUSALP is necessary for increased public ownership of the Strategy, and the establishment of stakeholder platforms would be crucial.
- The AlpGov project (of Interreg Alpine Space Programme) is delivering responses on the setup of shared standards for the operational design of the Action Groups, through the permanent exchange of knowledge and practices, and the streamlining of interaction between the coordination and implementation level of EUSALP. The “Board of Action Group Leaders” (BAGL) was formed through this project, serving as an exchange platform between Action Group leaders in this respect. In the context of the BAGL, cross-sectoral issues are discussed.
- The Action Groups could embrace their endorsed roles as representatives of countries and regions, and take up their roles as policy actors in the region.
- EUSALP should build upon and ensure the participation and experience of pre-existing initiatives and cooperation networks towards the implementation of the Strategy.

- Placing the Strategy as a political priority (instead of supplementary to existing frameworks) and making the coordination more efficient could help EUSALP in going beyond the restrictive role of mere project implementer. Fulfilling the Governance Objective of the Strategy would require complete policy and administrative ownership and participation from all EUSALP countries. This would require that the macro-regional strategies deal with the “experimentalist governance”⁵² model for policymaking in a way that also tests the creation of framework goals, entrusts local units, issues regular reports and performs revisions of its frameworks, while allowing for the participation of citizens in the political choices.

On projects and financing:

- The assimilation of EUSALP within the existing EU funding programmes has proven to be challenging, considering the frequent incompatibility of timeframes and structures with the needs of EUSALP.
- The EUSALP Strategy is a new player in the policy field, but without financial power, and sometimes without political backing (it is not easy to bring the strategy to the attention of politicians).

On projects and financing:

- The EUSALP Strategy was created when 2014-2020 Multiannual Financial Framework was already in existence. As such, there is a need for a better embedding of the strategy into future funding programmes, according to the principle that funding follows policies. The political decisions taken at the EUSALP level should be reflected in future funding programmes of any type, either shared funds (i.e. ERDF, social fund, agricultural fund etc.) or centralised funds of the European Commission (i.e. Horizon2020, LIFE etc.).
- EUSALP plans to check the priorities and planned implementation initiatives, and compare them against the legal proposals of the future funding programmes, and undertake a “matchmaking” process to see which categories of intervention can be addressed.

On capacity building:

- Due to the growing political commitment in the region for the EUSALP Strategy, programme managers should also contribute to the implementation of the Strategy.
- The Alpine Region is increasing its capacity-building efforts (modelled on the Baltic Region), aimed at improving the capacity of Priority Areas/Action Groups, Action Group leaders etc. to better support them in their role as policy drivers, and, more strategically, creating connections with relevant people to implement their priorities. This approach could help in addressing the challenge of Action Group leaders, who, although thematic experts, lack the expertise to think and act politically (i.e. how to set the political agenda, how to look for financial instruments,

⁵² Gänzle, S., Mirti, J., (2017), “The macro-regional strategies of the European Union: experimentalist governance in times of crises”, in *Making the most of macro-regions. Trends. Analysis. Recommendations*, Interact Programme, 2017.

where to apply for funds etc.). This could help develop the self-awareness of Action Group leaders and see themselves as policy drivers, beyond their administrative roles.

On cooperation:

- To improve cooperation between EUSALP and other MRS, the Alpine Region is expanding new initiatives for joint workshops on communication, transport and on green infrastructure (e-connectivity for the environmental sector).

On energy:

- EUSALP could facilitate policy coordination for large-scale renewable energy purchasing programmes through common rules and procurement, for the increase of renewable energy sourcing by public and corporate entities in the region (hotel, retailers, commercial centres etc.).
- Climate resilience through demand-side flexibility.
- Renewable energy certificates for demand-side growth can be created through the instruments provided by the Renewable Energy Directive.

4. Assessment of the progress in the development of EU Macro-Regional Strategies

While the four macro regions have been set up officially and some of them show promising results, concerns have emerged on their structure and rules. The European Parliament, in its preparatory work for the legislative process for the Multiannual Financial Framework of the EU post-2020 has drafted a report on the MRS.⁵³

The report reviews the implications on the effectiveness of the MRS given the present governance structure and the ‘three NOs rule’. The European Parliament supports the creation of MRS, but presents a number of concerns that stem from the governance rules, particularly how political commitment is translated into actual implementation. It calls upon the Member States to use the EU support from the Structural Reform Support Programme to help the capacity-building efforts where needed. It also calls for more attention to the specific regional and local conditions, ensuring that the objectives in the strategies are fine-tuned.

The document stresses the need for simplified financing structures and for the rules in Cohesion Policy to be adapted, which would assist the regions to use EU funds for the MRS effectively. The ‘three NOs rule’ requires that existing instruments are deployable for MRS. The European Parliament appears to be sending a warning about the idea of moving ahead further with new MRS without first deepening and improving the existing ones.

The Committee of the Regions (CoR), while strongly supporting the development of macro regions, expressed stronger dissenting views on the rules and regarding the structure of MRS. It considers the ‘three NOs rule’ a mistake and calls for improving the legislation and creating

⁵³ European Parliament (2018), ‘Report on the Implementation of EU macro-regional strategies’, (2017/2040(INI)).

the necessary funding and the institutions.⁵⁴ For the CoR, the use of the existing rules of Cohesion Policy puts the MRS at a disadvantage. The existing funding is not aligned well to the needs of the MRS.

The CoR also points out that the macro regions are relying excessively on central governments and considers that MRS should also have the possibility to involve primarily the regions instead. It also points out that the process of building the MRS has been disproportionately top-down, by adding countries and regions that were not involved in existing collaborative approaches. The CoR warns that this may not add value, but rather weaken existing territorial cooperation structures.

The CoR thus requests a review of policies for the period after 2020, in order to better integrate the needs of the MRS with more funding for transnational cooperation complementing existing funding instruments, such as Interreg, Interact and Territorial Cooperation Programmes. Those programmes focus mainly on capacity building and collaboration, but not on financing projects. The 'traditional' funding for projects is not well designed for use in MRS. To improve this, the MRS should be part of Member State programming for the period after 2020 and benefit from purpose built instruments and funds.

A report commissioned by the European Commission⁵⁵ on the links between the MRS and Cohesion Policy has identified a number of the strengths and weaknesses that the European Commission latest assessment⁵⁶ has taken into account and which *de facto* emerge in this study as key issues to address or promote, namely: the problem of large differences in institutional, administrative and financial capacity between regions, especially in the EUSDR and EUSAIR. The concept that MRS would 'just' need to be integrated into existing EU structures and funds will constitute a real barrier in those regions. The political commitment is missing in some MRS and the MRS framework does not seem to provide sufficient incentives to lead to significant impacts.

The existing collaboration models in some of the MRS can offer effective solutions for those lagging behind, but transferring this knowledge and creating the political will are important challenges ahead.

⁵⁴ Committee of Regions (2017), 'Opinion - The implementation of macro-regional strategies', 126th Plenary Session, 30 November and 1 December 2017, COTER VI/029.

⁵⁵ European Commission(2017), 'Study on macro-regional strategies and their links with cohesion policy: Data and analytical report for the EUSBSR', available at https://ec.europa.eu/regional_policy/sources/cooperate/baltic/pdf/eusbr_links_cohesion_policy.pdf

⁵⁶ European Commission (2019) 'Report from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions on the implementation of EU macro-regional strategies', COM (2019) 21 final.

5. Assessment of the contribution of EU Macro-Regional Strategies for the implementation of the Energy Union

According to the policy priorities of EU cohesion strategy, regional cooperation is key in the transition towards a low-carbon and green economy.⁵⁷ Therefore, as an integrated part of the Cohesion Policy, macro-regional strategies can play a key role in achieving the energy goals of the EU. This report now looks at the main priorities of the Energy Union, in order to assess how the MRS can make a contribution to the implementation of EU energy policy. While the specific energy-related priority actions of each MRS have been covered in a previous section, the report now focuses on the more general contributions to EU energy policy based on the Energy Union objectives highlighted in chapter 2.

5.1 Energy Security: Diverse, affordable and reliable energy

As part of its core priorities, the Energy Union seeks to foster security, solidarity and trust among its Member States. The EU aims to diversify supplies and to ensure supplies of energy to its citizens and to the economy. Legislation such as the Security of Gas Supply Regulation and the Risk-Preparedness in the Electricity Market Regulation have the specific purpose of increasing this security of supply. In addition, infrastructure is developed in order to increase the diversification of supplies. Increasing regional interconnectivity represents a key priority for macro-regional strategies. However, without direct links to funding mechanisms, it is unclear what tools are available for achieving these goals through regional cooperation. In addition, overlap with High Level Groups such as CESEC (which have access to financing) makes it difficult to isolate the added value of MRS to this objective.

Solidarity and regional cooperation are a key dimension for this objective. The potential contribution of MRS may be more relevant with regard to the new Energy Union Governance regulation. The proposed governance framework of the Energy Union ensures cooperation and coordination between Member States and the Commission in order to meet collective EU energy and climate targets. The Regulation on the Governance of the Energy Union streamlines and integrates 32 current planning, reporting and monitoring obligations at both the EU and national levels, while also eliminating another 23 obligations. This came as a solution to the fact that the previous governance system led on numerous occasions to administrative burdens, duplication and conflicts.⁵⁸ Crucially for the MRS, this new legislative act also provides tools for overcoming the currently insufficient capacity for cross-national planning.⁵⁹ In the new Integrated National Energy and Climate Plans, that Member States have to produce every 10 years, considerations about regional cooperation must be included. In addition, for the first

⁵⁷ Samecki, P. (2009), 'Presentation of the Orientation Paper of the future of Cohesion policy', SPEECH/09/571.

⁵⁸ COM (2016), 'Fitness Check Reporting, Planning and Monitoring Obligations in the EU Energy acquis', SWD(2016) 397 final, Brussels, 30 November 2016.

⁵⁹ COM (2016), 'Impact Assessment Accompanying the document Proposal for a Regulation of the European Parliament and the Council on the Governance of the Energy Union', SWD(2016) 394 final, Brussels, 30 November 2016.

time, governments can issue their opinion on their neighbouring countries' plans before they are finalised. Consequently, macro-regional strategies can act as crucial instruments for cooperation when it comes to expanding the scope for regional coordination through the new governance system of the Energy Union. Moreover, macro-regional strategies can give non-EU countries the chance to voice their opinion on energy infrastructure projects in EU countries and to participate in dialogue on EU priorities.

It is important to point out that the lack of integrated energy markets has been the result of a lack of interest in a strategic alignment in border regions. This was the result of a lack of interest of Member States in interconnecting particularly in the area of energy, with autarchy often considered a matter of national security. This attitude has changed and the MRS are an opportunity as a tool for the creation of regional energy markets that ensure more efficiency and security at a regional level, benefiting from economies of scale, but also collaboration and *de facto* resilience AND energy security for the EU and its immediate associated neighbours.

5.2 A Fully integrated internal energy market

A fully integrated internal energy market at the EU level is another crucial area of the Energy Union, necessary for the free flow of energy across the EU. MRS are an important opportunity to facilitate the development of adequate infrastructure and eliminate cross-border technical and regulatory barriers. MRS can be a central pillar for the Clean Energy for All Europeans package, creating a market framework suitable for renewable energy sources that also integrates fully-developed short-term markets and allows for flexibility. This legislative initiative will lay out the 'software' on which energy markets run, while the infrastructure projects represent the 'hardware' of the system.

MRS can offer considerable support to regional cooperation by changing the logic of capacity markets that have so far functioned in relative isolation, not taking generation capacity available across the border properly into account. Therefore, the New Electricity Market Design introduces a wider regional and European aspect to capacity markets. This leads first into the capacity needs assessment and then to better coordination of national capacity mechanisms. Cooperation through macro-regional strategies, especially in cases such as BEMIP can play a significant role in regional market integration.

Macro regions should take advantage of the opportunity of energy integration being high on the policy agenda of the EU to develop strategies and programmes that are win-win for the EU, the country and the region. It is also important that the regions have a strong say on how the cross-border infrastructure is developed so it does not bypass the regions, creating a lost opportunity and potentially a stakeholder backlash – this could be the equivalent to a motorway without exits crossing the regions, which may be more detrimental than beneficial.

5.3 Energy Efficiency

Energy efficiency also represents a Priority Area for the MRS, but the cross-border element is less clear. However, the macro regions could reinforce mutual learning to resolve barriers to adoption of Energy Efficiency (EE) solutions. The MRS could also combine efforts to create joint innovation programmes in the area of EE. Multi-country financial programmes could also be promoted, allowing for greater risk distribution and economies of scale. Funds of funds operating across borders and supported by the EIB and other banks could help reduce the costs of capital further in some macro regions.

EUSALP is a particularly relevant example, as it is being used to turn the Alpine Region into a “model region for energy efficiency and renewable energy”. It also seeks to build new cross-border markets for biomass and expertise, which can be part of Energy Efficiency programmes. With regulatory alignment, it is conceivable that cross-border service providers, such as Energy Service Companies (ESCOs) could develop, although the level of integration and alignment required may still be some way off.

5.4 Climate action: decarbonising the economy

When it comes to regional cooperation, the former renewable energy directive of 2009⁶⁰ created three cooperation mechanisms that Member States could use: (1) statistical transfer of an amount of renewable energy deducted from one country’s progress and added to another, (2) joint projects that can be co-funded by multiple countries, including non-EU partners, and (3) joint support schemes for renewable energy that can be created collaboratively by at least two countries. Nonetheless, a Commission report⁶¹ has found that there has been much less use made of this flexibility for regional cooperation than the directive allowed for. The revised 2016 proposal for a new directive⁶² now encourages further measures to foster regional cooperation and convergence, such as exchanges of information and best practices, such as the ones provided through the e-platform established by the Governance Regulation, or any other voluntary coordination activities. Macro-regional strategies can represent a valuable platform for addressing some of these problems. One example is the work by EUSALP to develop cross-border markets for low-carbon solutions, another is the cooperation within the EUSDR in establishing the regional potential for geothermal energy.

⁶⁰ Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC

⁶¹ COM (2016) 767 final, ‘REFIT evaluation of the Directive 2009/28/EC of the European Parliament and of the Council’, Brussels, 30 November 2016.

⁶² Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the promotion of the use of energy from renewable sources.

5.5 Research and Innovation

In this area, macro-regional collaboration can bring results. Consortia of institutes across borders can use Horizon 2020 funding to seek solutions for macro regions. Of course, integrating energy systems can also bring wider competitive advantages as it encourages solutions that are more cost effective, reducing the costs of energy or even material sourcing, such as biomass. Collaboration can bring economies of scale. The impact on lower energy costs has a wider repercussion on local industry, helping to enhance competitiveness. Similarly, collaboration on energy efficiency in material, expertise and costs reduction can make the allocation of resources at the regional level more efficient. Ultimately the impact on the individual regions will depend on the quality of the agreements.

5.6 Overall assessment

Overall, the actual contribution of the MRS to the energy package is unclear and would need to be assessed under a no-MRS scenario. The strongest energy-related policy directly linked to a MRS is BEMIP, which predates the EUSBSR and would likely be functional today outside the MRS framework, as it is closely linked to security concerns and the Energy Union.

The MRS have amalgamated existing initiatives in the Baltics and the Alps that were already active. EUSDR and EUSAIR are setting some objectives, but there is a lack of commitment in the areas that were not already a priority for the partners involved.

EUSDR has started some other promising energy projects for the region, but EUSAIR, on the other hand, seems to suffer most from a lack of commitment and means. There is thus a visible mismatch with political declarations, as actual means and actions on the ground do not seem to match.

From a strategic point of view, the current MRS seem to be more appropriate for integrating the objectives of the Connecting Europe Facility and top-down objectives, which in the case of BEMIP and EUSBSR overlap, and some of the countries are small and thus have overlapping national and regional strategic interests. For larger countries, the commitment of the governments is less clear and may be even partially at odds with the interest of the key regions at the borders.

When it comes to local cross-border operations, the common interests of the regions involved are at a disadvantage compared to the national and local interests. EU regional policy structures, as well as national financial structures, are ill-suited for more complex cross-border projects. The regional policy strategic formulation for energy and for other areas should have a clearly specified process and the means for effective MRS action, which is still not the case.

The subsidiarity principle needs to be reinforced because at this stage the roles of central governments and local authorities are not well developed. In any case, each MRS needs to find its own way to setting up the right structures. Thus, not surprisingly, successes are concentrated in areas where there was collaboration before the creation of the MRS and the

existing structures already cater to cross-border collaboration. There is a need for the EU to use, even within existing financial sources and existing institutions, funding streams to allow the MRS to set up the necessary governance structures. Member State line ministries need to take the macro-regional strategies seriously, particularly in the area of energy, where energy market integration is central to achieving Energy Union objectives, and where the benefits for the regions concerned can be substantial.

If macro-regional strategy is to promote local communities and handle local climate actions and the development of decentralised instruments for renewable policy, the present institutional setting seems to be insufficiently adapted for the MRS, especially those macro regions which are at the initial development stages of collaboration.

It is to some extent contradictory to promote cross-border collaboration that requires the development of new flexible administrative models and business models while at the same time restricting support for setting up the necessary administrative system and adapting regulatory and financial instruments to suit. The EU and the Member States have to create the co-creation and innovative space needed for those macro regions to develop top down the tools and thus influence the high-level rules and instruments, including adapting and amending the allocation of funds and regulations for the EU structural funds.

It is worth mentioning that one of the strengths of regional policy in the European Union was the way it fostered the development of autonomous decision-making capacity at the regional level. It fostered local strategic agenda setting, the creation of regional assemblies and allowed innovative approaches for tackling regional policies. This is because the regional policy approach was focusing on cohesion and convergence and to find and develop the local endogenous economic drivers. In so doing, for many Member States, the policy was a big institutional innovation tool and developer of new business models.

However, governance innovations in the more advanced macro regions such as EUSDR, EUSBSR can be important blueprints for other regions. The rotating presidency system that the EUSDR introduced despite the challenges it faced to build strong collaboration can be another instrument that ensures that all participating states are engaged in the region.

Developments at the EU level can represent significant opportunities for the region, including in the energy sector. Under the new Regulation on the Governance of the Energy Union, Member States have to produce Integrated National Energy Plans. Under these new rules, countries have to ensure they have taken matters of regional cooperation into account, with the possibility of commenting on their neighbouring country's plans. Moreover, macro regions such as the EUSDR also give non-EU countries the chance to voice their opinion on energy infrastructure projects in EU countries and to participate in dialogue on EU priorities. This introduces new players in the drafting of national plans, enhancing their coherence with neighbouring countries.

It is important that macro-regional authorities press their national governments to take the macro regions seriously in the preparation of the strategy and operational programmes for ESI Funds under the next MFF.

6. The potential role and necessary structures of EU Macro-Regional Strategies after 2020

The MRS emerge from a combination of existing collaboration in functional regions and a top-down desire to promote collaboration. As a result, the MRS do not accurately represent the actual functional regions, which may backfire if this weakens them through integrating their existing collaborative structures in a much wider process led by national governments and the European Commission. While the cross-border promotion and reinforcement of ‘functional regions’ is laudable and desirable, the construction of multi-country national macro regions with a top-down political motivation is thus risky.

Successful strategies and collaboration are occurring within the MRS in areas where there were already strong common interests and coordination processes that predated the formation of the macro-region. This is the case with BEMIP and with the existing initiatives in the Alps. This report endorses very closely the recommendations of the Committee of the Regions opinion of 2017,⁶³ which stresses the need to build up the macro regions more carefully from existing functional regions and their initiatives, reinforcing those further and not burying them in macro-regional multi-country high-level policy processes.

The current regional and national support policies of the EU (e.g. ESI Funds or Connecting Europe Facility) are not well-suited for the macro regions, particularly local actors. It is well documented that the allocation of funds for cross-border projects has always been minimised in favour of sectoral regional local interests, despite that one of the fundamental roles of the EU budget is supporting the elimination of barriers in the single market.⁶⁴ Interreg and Interact are small and mainly collaborative tools. The proposals for the ESI Funds⁶⁵ require Member States to incorporate the MRS in their strategies and the EU requires consultation with regions in the development of National Energy and Climate Plans. Those opportunities need to be seized by the macro-regional authorities to ensure their needs are taken into account.

The lack of EU dedicated financial resources can be a difficult barrier to overcome in cross-border areas with poorer non-EU countries, which do not have the financial capacity to fully participate. The strong financial capacity mismatches between EU Member States and non-EU macro-region partners can considerably hamper collaboration.

⁶³ Committee of Regions (2017), ‘Opinion - The implementation of macro-regional strategies’, 126th Plenary Session, 30 November and 1 December 2017, COTER VI/029.

⁶⁴ Núñez Ferrer J. and Tarschys D. (2012), ‘Investing where it matters’, CEPS Task Force Report.

⁶⁵ Proposal for a regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument, COM(2018) 375 final.

Many of the cross-border regions face challenging institutional, financial and, to some extent, cultural barriers to setting up common projects. It is important that the interregional institutional setting is reviewed to enhance *local* collaboration. Here, the possibility of using the European Grouping of Territorial Cooperation (EGTC) legal instruments, which allow setting up groupings with legal personalities across borders in the EU, can be helpful. Importantly, MRS members from authorities of non-EU countries can also be members of EGTCs.⁶⁶

To strengthen the MRS, it is important that the strategies are incorporated into the programming process for the post-2020 period as soon as possible. This also means that the European Commission must thoroughly integrate the MRS into the Multiannual Financial Framework strategy and legislative acts. It is important that moves to establish appropriate institutional settings for effective collaboration start as soon as possible. However, it is also recommended that sub-regional groups involving only parts of a macro-region (functional groups) are encouraged to develop their own programmes further in a flexible manner, and to not become hampered by involving all regions in all projects.

The CoR⁶⁷ proposes to develop “programme agreements” for EU funding by the macro regions, setting out the macro regions’ objectives and modalities. This mimics the partnership agreements for the ESI Funds. This kind of ‘sub-national partnership agreement’ at the programme level, in addition to the national partnership agreement with the European Commission, could be useful tools, but only if the regional policy tools are adapted to make such an approach meaningful. There is otherwise a risk of just creating another layer of complexity.

The European Commission recently presented proposals to strengthen the governance and performance of the MRS,⁶⁸ calling for MRS members to build up the necessary administrative capacity to integrate the MRS into Cohesion Policy programming for the next MFF. It is important that relevant regional authorities are given more tools to set up cross-border strategies, which may require new forms of strategic single programmes that merge funding from both sides of the national borders in the macro regions, rather than attempting to create separate macro-regional projects within separate national or single region operational programmes. Eventually, in the long term, it is likely that EU regional programming will have to be removed from the historical administrative boundaries and operate at the level of functional regions and macro regions. For the moment, however, macro-regional strategic planning still ultimately reverts to national and regional plans, projects and budgets. While the Commission offers ideas for improvement, it admits that challenges will remain due to the governance structures.

⁶⁶ European Commission (2018), ‘Assessment of the application of the EGTC regulation’, Final report – 20.04.2018, written by Spatial Foresight, Project number 2017CE160AT116.

⁶⁷ Committee of Regions (ibid.), para 23.

⁶⁸ European Commission (2019) ‘Report from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions on the implementation of EU macro-regional strategies’, COM (2019) 21 final.

One feasible improvement would be to provide better technical advice for making the most of the opportunities of InvestEU, which in the future should be able to combine different grants and financial mechanisms better. Support for business integration and cross-border projects could be set up, e.g. a cross-regional development fund for projects, such as integrated biomass trading for energy use or materials for energy efficiency or cross-border waste management and recycling (which however may pose regulatory hurdles).

Horizon 2020 programmes could be useful for innovative approaches to collaboration, given the cross-border and multi-country nature of the zones. Special calls for macro regions could be considered to help build new models for the regions and new cross-border operations.

Successful strategies depend to a large extent on good governance, and given the regional nature of the macro regions, it is the sub-regional level that should be the most active, instead of the national level (unless the country is small and has a single ESI Funds programme, such as a Baltic state). At this stage, the lack of strong structures means that there is a lack of ownership, due to the lack of empowerment of the local authorities, especially in the territorially larger MRS. Improving the success and achievements of the MRS requires local stakeholder involvement and buy-in, for which the current structure is not well designed.



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