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Thematic Workshop 2: "Connecting the region"

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Background: What is a Macro-regional Strategy?

A Macro-Regional Strategy is an **integrated framework** to address common issues of EU Member States and non-EU Countries located in the same geographical area, which thereby benefit from strengthened cooperation.

This includes **challenges**, which can only (or more efficiently/effectively) be tackled through regional cooperation (e.g. environmental, or connectivity issues) and **opportunities**, where increased cooperation is of mutual interest (e.g. tourism, research, innovation, or capacity building).

Macro-regional strategies operate with no additional EU funds, no new institutions and no new legislation. Actions which will be identified in the framework of the Strategy as benefitting from a strengthened (macro-regional) co-operation, would need to be financed by EU, national or private funds. This requires more **coherence between existing funds, structures and policies**.

How the future EU Strategy for the Adriatic and Ionian Region will look like?

Following a request from the European Council of December 2012, the European Commission is called to bring forward an **EU Strategy for the Adriatic and Ionian Region** before the end of 2014. The new Strategy will build on the experience gained in the existing Baltic Sea and Danube macro-regional strategies, and will incorporate the Maritime Strategy for the Adriatic and Ionian Seas (adopted by the Commission on 30 November 2012).

After an intensive **stakeholders' consultation** across the region carried out by the participating countries and the European Commission, and taking into account the recommendations of the evaluation of the macro-regional approach (adopted in June 2013), the European Commission is proposing that the new Strategy focuses on a limited number of areas of mutual interest, where the **added value** of cooperation is clear and justified.

In its initial stage, the Strategy will be concentrated on the four following **Pillars**:

- 1) Blue Growth
- 2) Connecting the region
- 3) Environmental quality
- 4) Sustainable tourism

Objectives and structure of the workshop

This workshop will be focused on the **Pillar 2 'Connecting the region'**.

After a presentation of the outcomes of the stakeholders' consultation by the representatives of the co-ordinating countries for this Pillar (Italy and Serbia), the expert engaged by the Commission will give his view on the challenges and opportunities for cooperation in the Adriatic and Ionian region.

The participants will be encouraged to reflect on the proposed **scope, priority topics and potential actions** in this particular Pillar of the future EU Strategy for the Adriatic and Ionian Region.

What is the issue?

The Adriatic and Ionian region is today a zone of low economic development, almost ignored by the major traffic and energy flows. Better transport and energy connections are a compelling need for the Macro-Region and a pre-condition for its economic and social development. Efficient and sustainable transport connections, capable to effectively absorbing increased traffic flows, will create attractiveness, both for foreign direct investments and for tourism, hence jobs and prosperity. Better use of intermodal transport will reduce the costs of delivering goods in Central and Eastern Europe, coming from Asia, while improving the eco balance, and restoring the competitive position of the North Adriatic ports as natural gateways to Central and Eastern Europe. Better interconnected energy networks as well as working energy markets will benefit to the whole macro-region and beyond, facilitating a sound economic development.

Challenges and Opportunities

The Pillar will focus on **transport** and on **energy networks**.

The Macro-Region is facing huge infrastructure disparities, notably between 'old' EU Member States and the other countries, following years of isolation and conflicts. Today, barely the ferries and cruise ships traffic grows significantly. Road, railway and air traffic are less developed than in the rest of the EU, impacting on the attractiveness of the area.. The railways are losing market shares to the profit of other modes of transport. Despite border crossing agreements, excessive

waiting times and cumbersome procedures are one of the major impediments. Significant improvements are still needed on harmonising the procedures, the data exchange (e.g. re. maritime transports, the development of Common Adriatic Vessel Traffic Monitoring and Information System - VTMISS). More attention should be paid to sustainable transport, i.e. multimodal combining maritime, rail and inland waterways.

The needs for investments in the Region are huge. On the Western Balkans road network, 500 km need urgent rehabilitation and 703 km urgent upgrading of capacity. Similarly, the corridor X railway needs urgent rehabilitation and removal of bottlenecks. The South-East Europe Transport Observatory multi annual plan 2013 defines 22 mature priority projects, and 20 more that require preparatory activities.

The three **energy** policy objectives of the EU – competitiveness, security of supply and sustainability – can only be achieved through a well-interconnected and well-functioning energy market. Investment in infrastructure is key to achieving market competition for both electricity and gas. Development of freely accessible energy trading/ auctioning platforms is necessary in order to enhance market competition. Energy Community interconnection plans include connecting new generation, integrating energy markets and new renewable energy in the grid, enhancing the security of supply, and improving the reliability and quality of energy services provided. Developing natural gas infrastructure will help currently isolated regions to have access to natural gas supplies; to ensure continuous and secure supplies by having network renovated and modernized; and to bring natural gas from a new range of export markets via new routes (TAP: Trans Adriatic Pipeline – IAP: Ionian Adriatic Pipeline).

The EU is playing a key role in connecting the Macro-Region. The **Connecting Europe Facility** will be a key instrument to promote growth, jobs and competitiveness through targeted infrastructure investment at European level, including the Adriatic-Ionian region (e.g. building missing cross-border links and removing bottlenecks).

The proposed regulation on **trans-European energy infrastructure guidelines** includes a new way of identifying energy infrastructure projects that can receive the label of Projects of Common Interest (PCI), which are necessary to implement the priority corridors and areas. Implementing the **energy and railway packages** remains a challenge in the macro-region, Italy excepted.

How cooperation can help? Strategic topics/actions

In the transport and energy networks fields, the Strategy should combine investments on the networks, soft measures to ensure the correct application of the regulatory framework and the functioning of the market, plus specific measures for cross-border facilitation. Effective improvements need coordinated planning, funding and implementation. Market failures, due to externalities, are strikingly evident in lack of investments across borders. Large projects need to be identified and implemented sustainably and efficiently, with shared costs and benefits. The more the users, the more efficient the investments become, with significant economies of scale. Actions should focus on **three strategic topics**: maritime transports, intermodal hinterland and energy networks.

In **Maritime transports**,

- Priority should be given to the improvement of **ADRIREP (Adriatic Traffic Reporting) system** through the development of Common Adriatic Vessel Traffic Monitoring and Information System with regional exchange of Automated Identification of Ships data, as it is developed under the supervision of European Maritime Safety Agency. Traffic Separation Schemes (TSS) could be envisaged in the congested areas.
- Clustering **ports** activities/services throughout the region should be supported following the example of the existing NAPA (North Adriatic Port Association) cooperation agreement. Harmonising the ports processes through a common ITS (Intelligent Transport System) will allow a global positioning in attracting traffic that is now avoiding the Region.
- Development of **port terminals** will boost short-sea shipping capacity and cross-border ferry connectivity. Priorities should be set for the development of combined infrastructure (trade, procedures, movement of goods, information systems, structures, vehicles and operations), improved infrastructure connecting to the mainland and emphasis in the supply chain of goods, implementation of intelligent infrastructure services (e.g. tracking and monitoring) to improve the safety and reliability of the delivery system, as well to support the sustainable development and green upgrading of ports and port activities (rows, gates, hub and spoke)
- Cruise ships need a system of **berth allocation** and passenger facilities in Adriatic Ionian ports arises

In the **intermodal hinterland**,

- Investments on the comprehensive network (railway, inland waterways) should be prioritised, like multi modal Baltic-Adriatic, Mediterranean and Scandinavian-Mediterranean corridors , starting with the cross-border bottle necks.
- Measures have to be taken to progress in the railway reform.
- The Adriatic and Ionian Motorway from Trieste to Patras is critical for connecting the coastal areas and promoting tourism.
- Developing new motorways of the sea, with improved road and rail infrastructure that links the port with the hinterland, improved infrastructure within a port and ITS solutions.
- Creation of air transport development incentives in view of the possibilities for fast-track implementation in the sense of better transport links within the region.
- Cross-border facilitation requires physical and non-physical investments on specific transport axis.

For the **energy networks**,

- Improve **cross border electricity interconnections**.
- In **gas**, realising the TAP and its IAP connection will create the market in some countries and diversify the sources in the others, through the creation of a gas ring in the region, thus contributing to a greater gas supply security.
- Energy needs an integrated and well-**functioning market**, through the establishment of a Coordinated Auction Office (CAO) and a well-functioning Day Ahead Market.
- Regulatory **measures** will be enforced in order to remove some of the barriers to cross border investment; these may involve permitting procedures, information for decision makers, cost benefit analysis, incentives for projects with a cross border impact, and others.

The topics included under this Pillar need to address in a horizontal way, the following issues:

- capacity building, exchange of knowledge and of best practices;
- communication, awareness raising and participation of stakeholders.
- assistance with the approximation and implementation of the EU *Acquis* in the transport and energy sectors;
- innovative solutions should be looked at for implementing a common market for transport and energy;

Links to other Pillars

Transport and energy are a natural prerequisite for marine and maritime growth (pillar 1) and for the development of a sustainable tourism (pillar 4). They also play a crucial role in the environmental quality of the Macro-Region (pillar 3). For example:

- better VTMS and ports will help the harmonious development of fisheries and aquaculture;
- sustainable transports (e.g. intermodal) can reduce impacts on the environment;
- efficient and reliable transports are a must for tourism development, particularly in remote areas.

Some guiding questions for the discussion:

- **Would you agree with the topics identified as of macro-regional relevance?**
- **Which actions would you consider most important? Which ones can have a bigger impact?**
- **Which type of projects would fit in the scope of this Pillar? Are there any projects which can be implemented in the short term?**