# ENERGY ACROSS THE MEDITERRANEAN: A CALL FOR REALISM

1. In the European Neighbourhood Policy (ENP), the category 'Southern Neighbourhood' includes ten partner countries: Morocco, Algeria, Tunisia, Libya, Egypt, Israel, Palestinian Territories, Jordan,

4. For the sake of precision, it should be mentioned that the initial decision to establish the three thematic platforms was taken on 19 November 2014 at the Rome High Level Conference of energy ministers on 'Building a Euro-Mediterranean energy bridge: the strategic importance of Euro-Med gas and electricity networks in the content of energy security'.

5. Launched 11 June 2015 in Brussels.

6. Launched 12 October 2015 in Rabat.

7. http://ufmsecretariat.org/fostering-regional-dialogue-on-energy-launch-of-3-ufm-platforms-on-gas-regional-electricity-markets-and-renewable-energy-and-energy-efficiency/.

8. This is true for all forms of economic relationship; see Zachmann, Tam and Granelli (2012)

with Spain and Italy, Libya with Italy, and Egypt with Israel, Jordan, Lebanon and Syria.

Large-scale oil and liquefied natural gas (LNG) infrastructure has been constructed all around the Mediterranean, as have some electricity interconnections. Successful projects, especially in the gas sector, have been built on bilateral state-to-state and company-to-company relationships between producers in the SMCs and importers in the north.

The Euro-Mediterranean energy relationship has never switched from this bilateral approach to a more regional approach (Figure 2), although some large-scale regional energy projects have been attempted over the last two decades, particularly in the renewable energy sector.

In 2003 the Trans-Mediterranean Renewable Energy Cooperation (TREC) y s s yene [illegible]

energy consumption of SMCs has continuously grown over the last few decades. Up to 2000, this growth occurred at an even greater pace than China. Between 2000 and 2013, the SMCs maintained their growth rate at a level of about 3.4 percent, compared to 0 percent in OECD Europe.

Energy demand in SMCs will continue to grow in the future, mainly in response to population and GDP growth. The challenge of rising energy demand will have to be tackled in a sustainable manner by SMCs, not primarily to mitigate climate change but to ensure macroeconomic stability. Between 2008 and 2014 the net energy exports of SMCs dropped – despite similar oil prices in both years – by more than 30 percent in US dollar terms. The decline in net exports represents about 3 percent of the current GDP of SMCs. Consequently, for SMCs simply burning more fossil fuels does not seem to be a sustainable, long-run answer. At the same time countries including Egypt, Algeria, Libya and Lebanon devote about 10 percent of their GDP to energy subsidies. In 2015, energy subsidies constituted a burden of $35 billion on Egypt's public finances, and this number could quickly rise if oil prices increase again. In 2013 – before oil prices dropped by 65 percent – subsidies in Egypt were $45 billion (Coady *et al*, 2015). Thus, fossil fuel subsidy schemes in several SMCs will have to be reformed[18] to reduce wasteful energy consumption and to improve fiscal sustainability[19].

18. For a wider discussion of energy subsidies in SMCs, see Tagliapietra (2014).

19. Energy subsidies lead to an inefficient allocation of resources and market distortions by encouraging rent-seeking behaviour, and thus excessive production or consumption.

20. For an expanded analysis of the case study, see Tagliapietra and Zachmann (2015).

21. For a comprehensive discussion of this issue, see Tagliapietra and Zachmann (2016).

given their current geopolitical situations, neither Syria nor Libya could easily be involved. Meanwhile, Israel is not in need of EU support and there is limited scope for special cooperation. For the other seven SMCs, barriers preventing the development of renewable energy and energy efficiency projects differ greatly, so a tailored approach should be adopted instead of a region-wide, one-size-fits-all, approach.

The Energy Union Communication proposed the establishment of 'Strategic Energy Partnerships' (European Commission, 20

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