

# Opportunities for Gas Trade in the MENA Region

A collaboration platform for implementing the building blocks to scale up economic energy trade in the MENA Region



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# Regional Gas Trade to Support Energy Transition

- The World Bank Group support its client countries in securing the affordable, reliable, and sustainable energy supply needed to end poverty and promote shared prosperity.
- The world needs to transition to lower-carbon and eventually de-carbonized energy systems to meet GHG targets.
- The energy transition is marked by milestone achievements in renewable energy growth. Natural gas is well suited to complement renewables.
- The World Bank Group will deepen policy support that advocates for a realistic and effective energy transition, offering structured financial solutions for gas producing and consuming countries where it leads to net emission reductions, increases access to energy and complements renewable energy.
- More integrated regional gas markets are expected to contribute to an effective energy transition.

# A MENA Regional Energy Trading Platform is proposed to advance regional integration

- MENA countries are imbalanced when it comes to availability of gas and power and trade within the region is low
- **A Pan-Arab Regional Energy Trading Platform** initiative to address the political, regulatory, governance and commercial and infrastructure challenges affecting regional cooperation in the energy sector is being proposed.
- The Gas Trade component of this Proposal includes:
  - Enable regional trade: Make the case to enhance regional gas trade by developing a shared vision. Identify political, policy and commercial solutions. Define an action plan.
  - Develop a regional governance structure: Establish a regional gas market leadership team. Develop regulatory framework.
  - Invest in infrastructure: Facilitate and support (along with regional and international partners) the infrastructure investments needed to boost regional trade.

# The Case for Change for Enhanced Regional Energy Trade

The MENA region is not the largest global demand region, but nevertheless significant.

The benefits of trade are well understood and go beyond simple trade revenues:

- monetary savings from integrating power generation capacity, maximizing use of efficient technology, and phasing out of more costly fuels;
- stronger economic and political ties;
- increased security of supply as well as of demand;
- enabler for gas-based economic diversification;
- enabler for larger renewable energy projects with economies of scale to support a sustainable energy future.

The window of opportunity to address some of the biggest obstacles is now.

- Oil and gas prices are low due to production policies, gas over-supply, lifting of economic sanctions, and macro-economic impacts on producing countries
- Differential between market prices and subsidized domestic prices is small
- Regional demand for gas is growing

# Solutions Required to Electricity and Gas Trade Barriers

## To bi-lateral trade:

- Fuel price subsidies in domestic markets cause price distortions, inflate domestic demand and hamper investments in trading opportunities.
- Conflicts in the region impair the realization of potential trade opportunities
- Technical constraints and policies impact gas production and transportation capacity
- Transit barriers such as geography and potential political/commercial interference in transit countries

## To (sub-) regional trade:

- Inadequate institutional arrangements (regional institutions with the necessary responsibility, authority, incentive and resources to support trade).
- Regulatory challenges exist including the absence of a regional grid codes covering technical and commercial aspects of regional trade, as well as agreements on acceptable pricing frameworks for energy trade.

# Gradual Expansion of Regional Gas Transportation Infrastructure

## Existing trade infrastructure

Capacity not fully utilized

	MOR	ALG	TUN	LIB	EGY	JOR	SYR	PAL	LEB	IRA	KSA	KUW	BAH	QAR	UAE	OMA	YEM	IR
MOR	N	E	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
ALG	E	N	E	N	LNG	LNG	N	N	N	N	N	LNG	N	N	LNG	N	N	N
TUN	N	E	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
LIB	N	N	N	N	LNG	LNG	N	N	N	N	N	LNG	N	N	LNG	N	N	N
EGY	N	N	N	N	N	LNG	E	N	N	N	N	N	N	N	N	N	N	N
JOR	N	N	N	N	E	N	E	N	N	N	N	N	N	N	N	N	N	N
SYR	N	N	N	N	E	E	N	N	N	N	N	N	N	N	N	N	N	N
PAL	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
LEB	N	N	N	N	N	N	E	N	N	N	N	N	N	N	N	N	N	N
IRA	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	E
KSA	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
KUW	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
BAH	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
QAR	N	N	N	N	LNG	LNG	N	N	N	N	N	LNG	N	N	E	N	N	N
UAE	N	N	N	N	LNG	LNG	N	N	N	N	N	LNG	N	N	E	N	N	N
OMA	N	N	N	N	LNG	LNG	N	N	N	N	N	LNG	N	N	E	N	N	N
YEM	N	N	N	N	LNG	LNG	N	N	N	N	N	LNG	N	N	E	N	N	N
IR	N	N	N	N	N	N	N	N	N	E	N	N	N	N	N	N	N	N

## Potential infrastructure

under unconstrained conflict, price and supply conditions

(Only pipelines depicted; LNG opportunities abundant)

	MOR	ALG	TUN	LIB	EGY	JOR	SYR	PAL	LEB	IRA	KSA	KUW	BAH	QAR	UAE	OMA	YEM	IRAN
MOR	N	E	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
ALG	E	N	E	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
TUN	N	E	N	P	N	N	N	N	N	N	N	N	N	N	N	N	N	N
LIB	N	P	P	N	P	N	N	N	N	N	N	N	N	N	N	N	N	N
EGY	N	N	N	P	N	E	E	P	N	N	P	N	N	N	N	N	N	N
JOR	N	N	N	N	E	N	E	P	N	P	P	N	N	N	N	N	N	N
SYR	N	N	N	N	E	E	N	N	E	P	N	N	N	N	N	N	N	N
PAL	N	N	N	N	P	P	N	N	N	N	N	N	N	N	N	N	N	N
LEB	N	N	N	N	N	N	E	N	N	N	N	N	N	N	N	N	N	N
IRA	N	N	N	N	N	P	P	N	N	N	P	P	P	P	P	P	P	E
KSA	N	N	N	N	P	P	N	N	N	P	N	P	P	P	P	P	P	P
KUW	N	N	N	N	N	N	N	N	N	P	P	N	P	P	N	N	N	P
BAH	N	N	N	N	N	N	N	N	N	P	P	P	N	N	N	N	N	P
QAR	N	N	N	N	N	N	N	N	N	N	P	P	P	N	E	N	N	P
UAE	N	N	N	N	N	N	N	N	N	P	P	N	N	E	N	N	N	P
OMA	N	N	N	N	N	N	N	N	N	N	P	N	N	N	E	N	N	P
YEM	N	N	N	N	N	N	N	N	N	N	P	N	N	N	N	P	N	N
IRAN	N	N	N	N	N	N	P	N	N	E	P	P	P	P	P	P	N	N

P=Potential pipeline. E=Existing

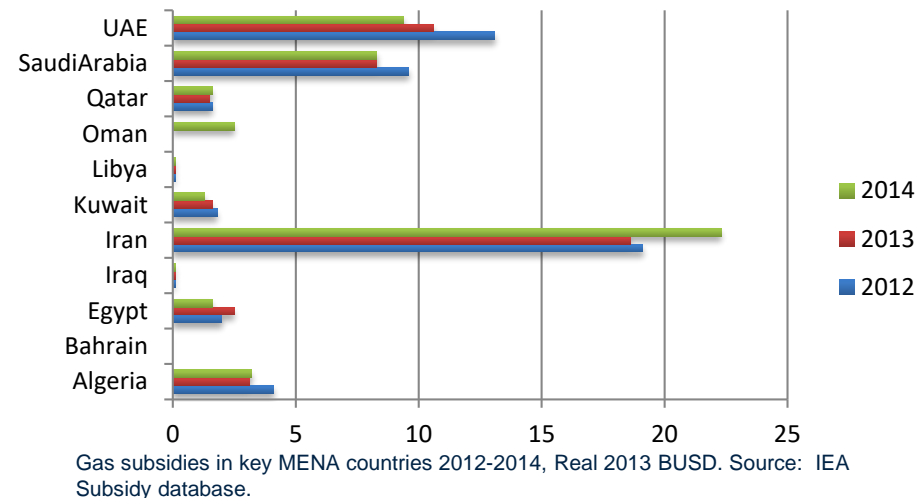
## Quick Wins (under prevailing market conditions)

- Ullage in existing infrastructure
- Gas storage
- Interconnections between transmission systems
- LNG import terminals
- Bi-lateral connections



# The Impact of Subsidies Reforms

- Domestic gas prices often substantially lower than the cost of supply<sup>1</sup>, rendering gas trade value chains unviable. The systematic phase-out of gas-price subsidies would be an essential component of any gas trade project.
- Increased focus in the region on reduction of fossil fuel subsidies while preventing adverse impact on vulnerable groups
- MENA countries fall in three groups:



(Potential) importers with small indigenous production. Limited or no gas subsidies	No barrier for (future) trade
Exporters/Importers with large reserves. Domestic gas prices significantly below the international benchmark	Discourage investments in production for domestic market Barrier for (future) trade
Importers at market price with indigenous production sold below international benchmark	Discourage investments in production for domestic market Limited barrier for (future) trade

# Next steps towards a Regional Gas Trade Platform

Large effort required to reap benefits of enhanced trade and overcome barriers.

Producers and consumers from the Region would be the Champions for this effort.

World Bank and International Energy organizations can facilitate.

The World Bank plans a conference for decision-makers from the region in April 2017 to

- Draft a shared vision for regional gas trade and the case for change
- Prioritize and sequence the resolution of barriers to trade in MENA
- Share international experience with regional gas trade
- Brainstorm political, policy and commercial solutions
- Identify the scope for institutional and regulatory cooperation and quick infrastructure wins

- 7 ▪ Define an action plan.





**WORLD BANK GROUP**  
Energy & Extractives

We would be happy to inform you further about  
the **Pan-Arab Regional Energy Trading  
Platform project**

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