

# Pan-Arab Regional Energy Trade Platform

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



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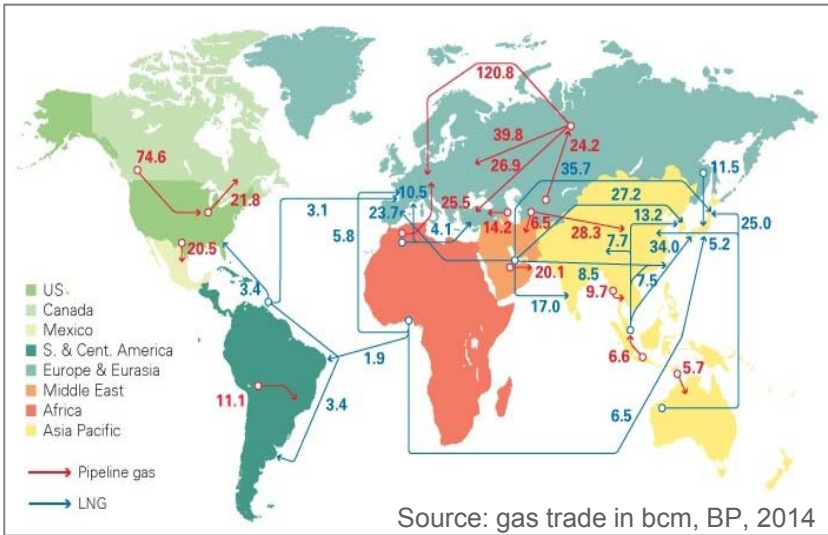
26-28 September, 2016

# MENA countries are imbalanced when it comes to availability of gas and power and trade within the region is low

**41%**  
of world gas reserves

**20%**  
of world gas production

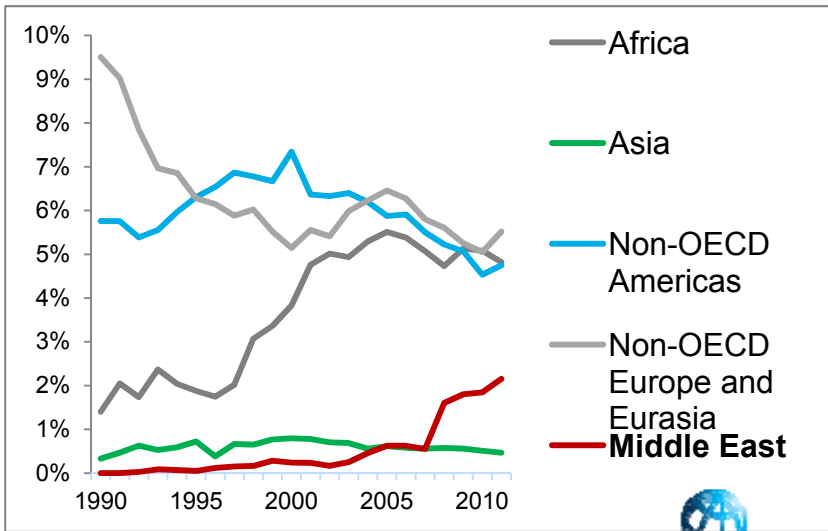
Only **10%** of MENA exported gas is traded in the region



**~10%**  
utilization of existing regional interconnections capacity

**42%**  
utilization of generation assets

Only **2%** of produced electricity was traded in the region in 2010



# The benefits from improved regional energy trade are multiple and significant

- The monetary benefits from investment savings possible by integrating power generation capacity is in the range of \$17 to 25 billion.
- The higher range is possible by maximizing the operation of most the efficient technology with higher efficiencies and phasing out of more costly fuels.
- Trade among countries supports stability as economic and political ties become stronger.
- It helps secure supply of gas to meet growing demand in the region.
- Enable the economic diversification effort through gas-based industries in the region.
- It contributes to a greener energy mix and meeting COP21 commitments.
- And it increases flexible generation technologies needed to enable larger renewable energy projects with economies of scale to support a sustainable energy future.

# The obstacles to electricity and gas trade vary across the region

- The benefits case of regional cooperation is not always fully known and informed when setting national and domestic economic and energy priorities.
- Fuel price subsidies in domestic markets cause price distortions, inflate domestic demand and hampers investments in trading opportunities.
- The physical infrastructure at the national and regional level needs to be robust.
- Institutional arrangements in the form of regional institutions with the necessary responsibility, authority, incentive and resources are needed to support trade.
- Regulatory challenges exist including the absence of a regional grid code and commercial code covering technical and commercial aspects of regional trade, as well as agreements on acceptable pricing frameworks for energy trade.

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

- A Pan-Arab Regional Energy Trading Platform project to address the political, regulatory, governance and pricing 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 enable regional trade.

*An IEF-World Bank partnership is proposed to catalyze collaboration and political buy-in at the outset of launching the gas component's tasks*

# The partnership builds on comparative advantages to catalyze regional trading

## IEF's partnering & convening power

- An international energy body that brings together producers and consumers to cooperate on energy issues and enhance common interests
- A neutral facilitator of energy dialogue to ensure energy security
- A partner that can bring together policy makers to broker solutions for the common interest of the region

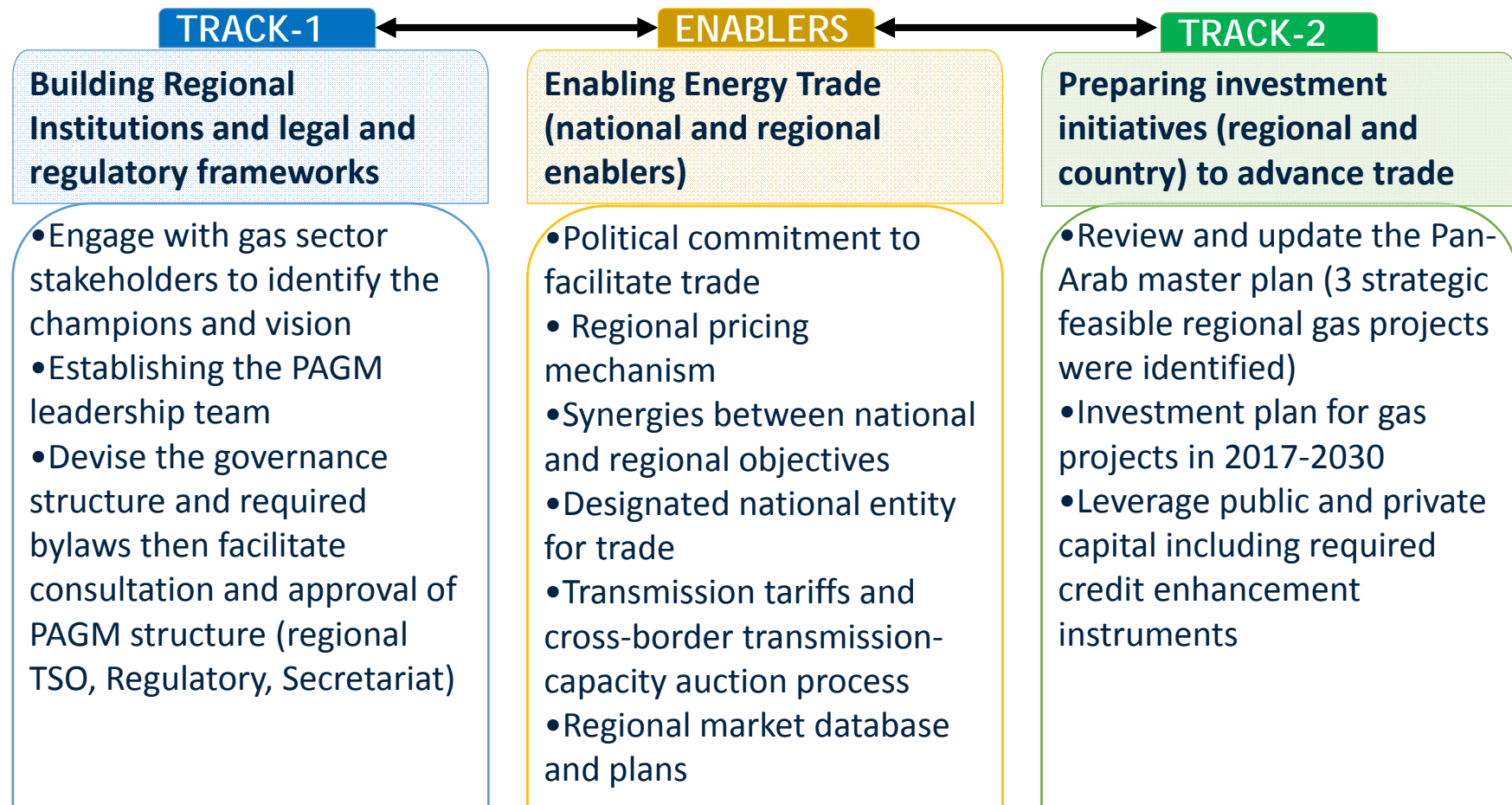
## World Bank's comparative advantage

- A convening power that can catalyze and build momentum
- A development bank that can effectively leverage its project design and structuring skills, and provide financial solutions and credit enhancement
- An institution that can engage regional and international development partners to mobilize greater public and private sector engagement and financing and overcome regional trade barriers

## Cooperating to catalyze regional trading

- IEF Members from the MENA Region constitute the Champions for the regional gas trade vision. They can:
  - *Create political commitment to facilitate trade*
  - *Lead dialogue on the regional pricing mechanism*
  - *Establish synergies between national and regional objectives*

# The proposal comprises two tracks for implementation and relies on enablers to accelerate trade



The Project has flexible components allowing each country to proceed at its own pace, with interim deliverables between 2016-2018

# Next steps towards a Regional Gas Trade Platform

- IEF members from the MENA Region are invited to participate as **Champions** of the Gas Trade Platform Initiative
- The World Bank and the IEF proposes to host a **seminar** for decision-makers from the region in December 2016, aiming to
  - Define the case for change moving towards an integrated gas market
  - Share international experience with regional gas trade
  - Further define the barriers to trade in MENA
  - Prioritize and sequence the resolution of barriers
  - Brainstorm political, policy and commercial solutions
  - Identify the scope for institutional and regulatory cooperation and quick infrastructure wins
  - Draft a shared vision for regional gas trade and
  - Define an action plan.
- The World Bank will share preliminary findings of ongoing **analytical work** on regional gas pricing models, potential solutions to challenges and international experience on regional integration at the seminar.
- **Milestone: Champions endorse** Vision, formulate a Pan-Arab Gas Market Leadership team and Action Plan at a conference in Q1, 2017 and **launch the implementation**





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