Creating Regional Momentum for Energy Trade

A perspective on the Pan-Arab Region

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Context

- Energy demand is higher than growth;
- Technological changes in the energy sector;
- Weaker oil prices;
- A changing energy resource towards renewables with high fuel savings potential;
- Declining fiscal space

Pressures for change create urgency for broad economic reforms across the Pan-Arab region.
Electricity trade in the Pan-Arab region can bring multiple benefits

Access to Wider Pool of Generating Units

- Reliability Enhanced
- Systems Costs Optimized
- More Transparent Pricing

- Savings on avoided investment costs
- Lower emissions cost-effective to meet INDC
- Lower cost by increasing share of renewables
- Reduce need for subsidies and enhance grid access
- Support to Peace & Stability by better services access
Greater intra-regional electricity and gas trade and market integration can deliver

• Market efficiencies to more securely meet growing demand
• Economic development
• Accelerated energy-sector transition at the country and regional levels
• Massive cost savings estimated at $91-135 billion during the period 2020-2035;
• Further integration of regional gas and power markets to support national development strategies leveraging on synergies and complementarities between the two sectors
While trade benefits underscore the value of cooperation to advance economic transformation, challenges exist:

- Convincing stakeholders that **mutual trust**, **interdependence**, **transparent governance**, and **competent institutions** are the critical ingredients to create markets and achieve their goals;

- Political considerations and rivalries could pose impediments;

- Countries hesitate to harmonize regulations due to high subsidies and risk of "wealth transfer";

- **Low number of market participants** due to lack of market access or delayed reforms at the national level.
Responding to these challenges requires multifaceted measures building on the following drivers for trade...

- MENA countries have a great deal to gain from electricity and gas trade... However, allocation issues arise.
- Realizing commercial trade benefits requires high utilization of cross-border infrastructure.
- Accelerating bilateral trade on commercial basis should be a priority.
- Electricity-market integration can positively impact employment, to the degree that it can facilitate renewable-energy deployment.
Responding to the challenges requires multifaceted measures building on the following drivers for trade … cont’d

• Development of regional markets can be compatible with varying speeds of domestic reform- they should go hand-in-hand

• Regional institutions should gradually evolve with the market

• Advanced technologies and synergies between electricity and gas trade could yield convergence among national and regional goals for sustainable-energy transitions
First Pan-Arab Energy Trade Conference
Towards an effective regional cooperation in electricity and gas trade among the Arab countries

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Thank You!