

POWER SURGE: HOW THE EUROPEAN GREEN DEAL CAN SUCCEED IN MOROCCO AND TUNISIA

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January 2021

SUMMARY

- North African countries such as Morocco and Tunisia can help Europe meet its carbon emissions targets and strengthen its position in the face of fierce competition from China for economic and political influence.
- By encouraging European investment in renewable energy, the European Green Deal can increase local workforce opportunities, promote development, and stabilise migration, enhancing stability in the region.
- The EU should promote green hydrogen projects in Morocco and Tunisia. These would contribute to its climate neutrality goals and develop both European industrial leadership and local economies.
- The EU should also promote new electrical interconnections across the Mediterranean, to foster an integrated electricity market.
- Morocco and Tunisia should become official “Green Partners” of the EU. This would help catalyse joint action and ease those countries’ green transitions – especially that of Tunisia, which is particularly in need of help building additional capacity.

INTRODUCTION

The European Green Deal is the European Union's roadmap to making the bloc climate neutral by 2050. It sets out how the EU plans to turn climate and environmental challenges into opportunities across all policy areas, and how it will ensure the green transition is just and inclusive for all. The Green Deal's goals include cutting carbon emissions, making industry and transport sustainable, using green technology to boost the European economy, and decoupling economic growth from resource use.

Another important, and explicit, goal of the European Green Deal is to strengthen the EU's global leadership. One of the ways it seeks to do this is by establishing environment, energy, and climate partnerships with the states of the EU's southern neighbourhood. In that region, Morocco and Tunisia are two of the countries that have historically had the closest relations with EU member states; each country has already engaged, to a greater or a lesser extent, in the green transition, seeking investment in renewable energy.

This paper sets out the EU's opportunities to increase its influence in its southern neighbourhood through the Green Deal. The EU can achieve this by pursuing key policy actions that could collectively be embedded under 'Green Deal diplomacy'. The paper discusses the EU's and its member states' current relationship with Morocco and Tunisia on energy issues, and identifies opportunities for the EU to pursue its strategic interests and positively contribute to the green energy transition in Morocco and Tunisia. It concludes by making recommendations for how EU decision-makers can accelerate the development of the renewable energy sector in Morocco and Tunisia, and help the EU demonstrate global leadership via the Green Deal.

THE EUROPEAN GREEN DEAL AND THE EU'S SOUTHERN NEIGHBOURHOOD

The European Green Deal emerged from both the commitment the EU made to achieve carbon neutrality by 2050 and the current global effort to implement the Paris Agreement, whose core aim is to limit global warming to well below two degrees above pre-industrial levels. Ursula von der Leyen's 2020 State of the Union address as president of the European Commission reinforced this commitment by increasing the EU's 2030 carbon emissions reduction target from 40 per cent to 55

per cent.

Fulfilling this agenda will require multilateral action: the European Commission was clear when publishing the European Green Deal that Europe will not be able to achieve its goals by acting alone. The EU will need to use its influence, expertise, and financial resources to mobilise neighbours and partners in this shared endeavour. Such an approach is also in line with the EU Global Strategy and the European Neighbourhood Policy.

Broadly speaking, there are significant challenges and opportunities that the EU can respond to as part of its Green Deal diplomacy. This is the collective diplomatic effort of the EU and its member states to create ways for other countries to join in with EU decarbonisation policies and cooperation, thereby making progress towards reducing emissions – but, crucially, also helping draw partner countries away from competitor powers, such as China. Importantly, such efforts would complement those of EU member states as they seek climate neutrality; the new EU Hydrogen Strategy, for example, has an important international dimension that can benefit both North African countries and EU member states by increasing their use of hydrogen. Green Deal diplomacy can also help Europe promote its associated interests, generating economic development opportunities that would help it achieve its stabilisation goals, creating jobs in green industries, and potentially offsetting some of the ‘push’ factors in Tunisian and Moroccan irregular migration to Europe.

GREEN DEAL DIPLOMACY IN ACTION

The green opportunity in Morocco and Tunisia

Morocco and Tunisia present distinct opportunities for the EU in its quest for carbon neutrality. Both countries have significant potential in both solar and wind energy, and both have recognised this by adopting strategies to develop these sectors. And, unlike other North African states, neither has access to a huge quantity of hydrocarbon resources. Developing renewables facilities, therefore, helps them secure a greater degree of energy independence and gives them an asset in geopolitical relations that they have hitherto lacked. In addition, such progress is also in line with each country’s commitments under the Paris Agreement on climate change. Each has a reputation for being an attractive place to invest, offering promising returns for foreign direct investment (FDI) with fairly manageable risks. This includes Tunisia – although, since the Arab uprisings in 2011, governance issues have presented a new challenge to the country’s attractiveness. Nonetheless, ramping up the country’s involvement in

renewable energy and importance to Europe in the area may help it address this challenge. Underpinning all this is Morocco's and Tunisia's strong historical and cultural relationship with European countries, which is probably stronger than that between Europe and other North African states.

While such connections matter – and Europe is certainly interested in how the region can help it achieve its energy and sovereignty goals – China presents an attractive alternative for these countries. China is currently engaging in fierce economic competition around the world, in the form of its Belt and Road Initiative and many other programmes and instruments besides. China is also becoming a leader in many areas of renewable energy, and it will be able to offer this expertise to North African countries at a good price. Here, Europe should acknowledge that North Africa is an area of strategic importance, a place in which being overtaken by China will not only harm its climate neutrality goals but will also stop it from locking in the political partnerships it needs to support political reforms and a democratic transition in the region.

In terms of the EU's formal relationship with Morocco, the 2019 Association Council conclusions identified two key horizontal fields for action under the rubric of "Euro-Moroccan partnership for shared prosperity". These entail cooperation on the environment and climate change, and on mobility and migration. The Association Council's joint declaration notes the close relationship between the two fields, citing issues such as the importance of renewable energy, energy efficiency, biodiversity, and the sustainable use of natural resources.

In contrast, the 15th meeting of the EU-Tunisia Association Council held in Brussels in May 2019 did not have as strong a focus on renewable energy and sustainable development as its EU-Morocco counterpart. Instead, its conclusions concentrate on the importance of EU support for inclusive and sustainable development, and pursuing significant economic and structural reforms that support Tunisia's democratic and other political achievements. Thus, in Tunisia, the economic challenges caused by the Arab uprisings and the dire economic consequences of the covid-19 pandemic are still placing enormous strain on public finances. This means that officials tend to focus on EU budgetary support for the country's short-term needs rather than a green transition agenda with medium- to long-term targets. To this end, Tunisia was the second-largest beneficiary of a new EU macro-financial assistance package proposed in April 2020, receiving €600m. Direct support for green initiatives has been much more limited, partly because renewables facilities in the country are in the early stages of development.

Economic development and migration

The European Green Deal offers ways to create local workforce opportunities – which can, in turn, contribute to economic development and mitigate migration flows. Over the last decade, Morocco and Tunisia have faced challenges relating to migration as host and transit countries. The issue has aroused great concern within the EU – which has, at times, sought to work with North African countries to help them keep migrants from crossing the Mediterranean to Europe. Morocco has experienced a significant increase in the inflow of irregular migrants, mostly from sub-Saharan Africa, but also from Syria. Tunisia has, over the last few years, experienced increased unemployment and the resulting deterioration of young people’s prospects. Aggravated by recurring political instability, this has led to significant waves of irregular migration from Tunisia, mostly to Italy. Impacted by Libya’s governance and security issues, the Tunisian authorities are struggling to juggle this irregular migration, which increased from 2,700 in October 2017 to 4,000 in July 2018, with Tunisians the largest national grouping among migrants who crossed the Mediterranean to Italy, Greece, Spain, Cyprus, and Malta in 2020, according to the United Nations High Commissioner for Refugees

There is an economic link between Green Deal cooperation with the southern neighbourhood on one hand and EU migration policy on the other. This is especially true given that the European Commission has proposed a New Pact on Migration and Asylum, and that the European Fund for Sustainable Development Plus (EFSD+) is also forthcoming in early 2021. The EFSD+ explicitly identifies increased support for economic opportunities and the need to address the root causes of irregular migration.

In this context, European assistance for the development of the green energy sector in Morocco and Tunisia could provide a source of significant economic development and local employment.

Investment in renewable energy can directly create jobs, including through the recruitment of workers for wind farms and solar power plants, and for the construction and maintenance of such facilities.

But it can also create jobs indirectly by, for instance, generating a new social and economic ecosystem.

FDI can also help nascent local renewable energy industries grow by involving local developers, subcontractors, and workers. According to a study from the Mediterranean Forum of Institutes of Economic Sciences, Morocco’s renewable energy sector could generate between 267,000 and 482,000 jobs in the country by 2040. For Tunisia, the estimates are more modest: potentially 30,000 domestic jobs by 2030. Local authorities in each country can further strengthen local job prospects tied to this sector by applying “national content requirements”, which are measures that require investors to

allocate a certain amount of investment to hiring local contractors, employing a quota of local workers, developing a local factory, or even partnering with a local investor.

A good example of such investment is the Siemens Gamesa factory in Tangier, which produces wind turbine blades for both the Moroccan and export markets. The large plant, which started production in April 2017, is strategically located in the industrial zone of Tanger Automotive City, close to Tanger-Med, one of Africa's largest ports, and positioned between Europe and Africa. Siemens Gamesa is Europe's largest wind farm developer and its Tangier investment contributed to the creation of 600 direct and an estimated 500 indirect jobs, as well as the opening of a training centre to facilitate knowledge transfer. Another example is a wind farm project located near the Moroccan city of Taza, which is due to be commissioned in 2021 and developed by a consortium of the French renewables leader EDF Renouvelables and Japanese contractor Mitsui, as part of an overall investment of €230m. In this case, the tendering process required the consortium to subcontract at least 30 per cent of the construction costs to Moroccan firms.

Such examples remain limited, however, and they required strong institutional engagement from the relevant state agencies and ministries, particularly the Moroccan Agency for Sustainable Energy (MASEN), the Moroccan investment agency, and the ministries of energy and industry.

Hydrogen and EU climate neutrality

The EU's goal of climate neutrality by 2050 is a challenging one, particularly given that several member states will not be able to produce all the renewable energy they need to achieve. These states will, therefore, need to rely on the help of partners and allies. Beyond traditional investments in solar and wind power, a relatively new opportunity is attracting increased attention. In July 2020, the EU adopted a new strategy for energy system integration and a new EU strategy for hydrogen, a gas that can play a role in replacing fossil fuels because it contains no carbon. Some EU member states will need to import a large amount of green hydrogen – which is produced by electrolysis, a process that uses renewable sources of energy and thus has no direct carbon impact. Hydrogen can be seasonally stored and transported cost-effectively over long distances using gas pipelines.

In the short term, Morocco may be particularly well placed to send hydrogen to Europe due to its geographical proximity and its renewable energy facilities (Tunisia may be able to follow in this effort in the medium term, once it has established sufficient renewable energy facilities). Morocco is currently developing a hydrogen roadmap and devising several pilot projects. Morocco could produce

hydrogen on a large scale very competitively because it has lower electricity production costs, higher electrolyser efficiencies, and cheaper capital expenditure.

Germany is a useful case study due to the progress it has already made in this area. Germany does not currently have enough renewable energy to produce all the climate-neutral liquid fuel and fuel gas needed to decarbonise its economy. However, obtaining green hydrogen and Power-to-X (PtX) products (the outputs produced by the green hydrogen industry) will help it do so. The German Federal Ministry for Economic Cooperation and Development (BMZ) has said that it views green hydrogen as an opportunity for partner countries, especially developing and emerging economies that have significant renewable energy sources. The BMZ believes this cooperation will enhance local value chains and economic diversification in those countries, and will contribute to energy security and inclusive job creation.

To this end, a German-Moroccan hydrogen partnership is already in place, and can serve as a precedent for extending such green hydrogen cooperation. Pilot projects for the production of green hydrogen are to be implemented in partner countries, and the BMZ is putting together “green hydrogen atlases” to show the potential for green hydrogen production in such countries and opportunities for sustainable development in Africa. Under the German National Hydrogen Strategy, in June 2020 the BMZ signed a memorandum of understanding with Morocco for the development of the PtX sector, focusing on two projects. The first is a new facility to produce green hydrogen and PtX products proposed by MASEN; this would be the first green hydrogen plant in Africa. The second is a research platform to allow for knowledge transfer and skills training in partnership with the Moroccan Research Institute for Solar Energy and New Energies.

In this context, the EU should actively pursue new opportunities for cooperation on green hydrogen with countries in its southern neighbourhood, as a way to contribute to its 2050 carbon neutrality target, Morocco’s and Tunisia’s own green energy transition, and the development of these countries’ local green hydrogen industry and associated research facilities and jobs.

The challenge from China

The EU’s influence in North Africa is increasingly contested by other powers, particularly China, which is engaging in a serious campaign of economic competition in the region, as well as around the world.

The relationship between Morocco and China has become stronger over the last ten years, including in the area of energy investment, which is a priority for China referred to in its Arab Policy Paper. This trend is also driven by Moroccan policymakers' goal of expanding and diversifying their country's range of economic partners. Thus, between 2009 and 2019, Chinese FDI in Morocco increased by \$266m (compared to \$0.2m in 2009), peaking in 2017 due to the large investments made by state-owned company Shandong Electric Power Construction in Morocco's Noor II and the Noor III solar power plants, both part of the Ouarzazate solar complex. Several bilateral investment agreements were signed by Moroccan and Chinese businesses in a variety of economic sectors during King Mohammed VI's visit to Beijing in May 2016, which he undertook with a view to increasing Chinese FDI. That said, the total economic impact of Morocco's cooperation with China is still limited compared to that with the EU: the overall volume of Morocco's trade with China increased from \$4 billion in 2016 to \$5.7 billion in 2019, but the EU remains Morocco's largest trading partner with an overall volume of trade of \$43.7 billion in 2019.

When it comes to relations between Tunisia and China, the commercial volume of trade is more modest still, totalling \$2 billion in 2019, up from \$340m in 2005. Like its Moroccan counterpart, Tunisia's renewable energy sector is increasingly appealing to Chinese investors – as demonstrated by, for example, the successful December 2019 bid by TBEA Xinjiang New Energy Company to build a solar power plant in Kairouan governorate. Again, like Morocco, Tunisia continues to have a deeper economic relationship with the EU than with China, with the overall volume of EU-Tunisia trade worth \$23.8 billion in 2019. Additionally, neither Morocco nor Tunisia exports large amounts of commodities such as oil, gas, or rare earths, which China craves to sustain its economic growth.

Despite the relatively modest volume of its trade with Morocco and Tunisia, China is likely to increase its investments in renewable energy projects in the two countries as the expertise of its domestic renewable energy sector grows, and as the cost of renewable technologies – particularly of Chinese-made solar panels and wind farms – declines. It is true that Chinese investments do not benefit from a strong environmental narrative: the European Green Deal is a coordinated, global set of green energy transition policy actions and partnerships, whereas Chinese investments ostensibly place less emphasis on this sort of rationale. The EU also has other attractions for Moroccan and Tunisian decision-makers that China does not. These include greater experience in renewables technologies and geographical and cultural proximity with Morocco and Tunisia. However, China is now decarbonising rapidly, and its new technological expertise, coupled with its enormous investment potential, means it can offer governments across the globe hugely attractive packages. In North Africa, this could have direct implications for the success of the European Green Deal. European projects risk

losing out to Chinese alternatives, potentially hindering the geopolitical strengthening of ties between the EU and North African countries.

Failure on this front could also weaken bilateral political relationships on either side of the Mediterranean, to the detriment of the political reforms and democratic transition Europe would like to see in the region. Europe has created many of the tools and instruments it needs to promote this agenda, but it should ensure that these combine to form a powerful whole, and are not merely a collection of parts. The EU and its member states can maximise their advantages over China in the area, but this will require focus, drive, political will, and the overall guidance of the European Green Deal.

CHALLENGES AND OPPORTUNITIES IN MOROCCO'S AND TUNISIA'S GREEN TRANSITIONS

Where do Morocco and Tunisia stand in terms of their own climate ambitions? What actions have they already pledged to take, and to what extent will they need to adapt to the changing climate? Understanding their perspective can help European decision-makers decide how they can best cooperate with each country.

Morocco

Morocco's vulnerability to the effects of climate change relates to the risks of drought, rising sea levels, and desertification. These threats, which are potentially devastating for a country where agriculture accounts for one-third of GDP, make it a priority for Morocco to minimise the impact of climate change and to invest in adaptation. As stated in Morocco's National Determined Contribution, it will cost the country at least \$35 billion to implement adaptation works in the most vulnerable sectors – water, agriculture, and forestry above all – between 2020 and 2030. Under the Paris Agreement, Morocco has committed to reducing its greenhouse gas emissions by 42 per cent from business-as-usual levels by 2030, provided it gains access to new sources of finance and additional support, aiming for a total reduction of 527m tonnes of carbon dioxide equivalent between 2020 and 2030. The total cost of reaching this goal is estimated at \$50 billion, of which \$24 billion is conditional on international support through additional climate finance mechanisms. There is, therefore, a huge opportunity for Europe to support Morocco in making the necessary adaptations –

although other powers will also be on hand to offer the same support.

Morocco is dependent on hydrocarbon imports – mostly from neighbouring Algeria – for as much as 85 per cent of its energy needs. In 2009 it adopted an ambitious renewable energy strategy whose goals include increasing its share of renewable energy to 52 per cent by 2030. Achieving this will require Morocco to develop significant additional renewable energy capacity by building wind farms, solar infrastructure, and hydroelectric power plants. In the last five years, Morocco's successes in this area have included the construction of several solar power plants (using 'concentrated solar power' technology) such as the Noor Ouarzazate I, II, and III, and the Noor Ouarzazate IV photovoltaic project. The latest initiative is the Noor-Midelt project, which will integrate photovoltaic, concentrated solar, and battery storage technologies. This is a strong track record for Morocco, highlighting its ability to develop large-scale renewables projects. But the country still needs significantly more FDI to achieve its ambitious targets.

In total, as of 2019, renewable energy facilities accounted for 34 per cent of the total installed power capacity. And, although the capacity of Morocco's renewables energy facilities is set to double once current projects are complete, the country missed its interim target of 42 per cent by the end of 2020 – a deadline that the country now appears to have adjusted to 2023. And the development of other renewables projects has been delayed. As such, a recent announcement that Morocco would start developing offshore wind farm projects on the windy Atlantic coast creates a significant new investment opportunity. Furthermore, improvements to the country's low- and medium-voltage electricity grids are needed to make renewable energy available to private companies and households.

Crucially, in Morocco, the green energy transition and its ambitious targets have political support at the highest level. King Mohammed VI has given his clear backing to the country's renewable energy strategy. He has also supported the development of renewable energy projects by a publicly owned standalone entity – namely, MASEN, rather than a state utility or a ministry. The rationale for this is that MASEN would approach the agenda in project management mode and with a corporate culture inspired by the private sector.

Tunisia

Tunisia's international carbon reduction pledge includes a proposal to reduce its greenhouse gas emissions across all sectors by 41 per cent by 2030 compared to 2010 levels. Unlike Morocco, Tunisia

is contemplating significant mitigation efforts in addition to adaptation. These efforts are set to focus on the energy sector, which itself accounts for 75 per cent of the emissions reductions required to achieve the 2030 target. As part of the energy transition policy advocated by the Tunisian authorities, the energy sector will reduce its carbon intensity by an estimated 46 per cent by 2030, as compared to 2010. Implementing this level of mitigation will require substantial funds – an estimated \$18 billion – to cover investment needs and to finance capacity building programmes. The additional costs of the necessary adaptation measures for these sectors and fields will come to some \$2 billion. This will require significant support from the international community – and presents a major opportunity for Europe to engage closely with Tunisia.

Likewise, Tunisia's power generation is heavily dominated by gas-fired power plants – more than 90 per cent of its total capacity. The country has a handful of hydroelectric power stations that together represent just 1.1 per cent of installed capacity; their operations are hindered by poor hydrology and water scarcity. There are only three wind farms in operation in Tunisia, all of them owned and operated by the state utility, the Société Tunisienne de l'Electricité et du Gaz (STEG); they provide 4.1 per cent of installed capacity, although they have recently suffered from major maintenance issues. The country also has one solar power plant, which has been in operation since August 2019.

Tunisia's efforts to reduce its dependence on fossil fuels have been underpinned since 2013 by an energy transition strategy that aims to increase the country's share of solar and wind power in its domestic energy mix from 2 per cent to 30 per cent by 2030. However, tenders for renewable energy projects have faced significant challenges, creating a need for additional capacity building and high-level support. In December 2019, a number of solar projects were awarded. But, since then, no concession has been signed. Despite the effort and dedication of staff within key institutions such as the Tunisian electricity and gas ministry, and the General Authority in charge of public-private partnerships, the implementation of a large number of renewable energy projects has been slow. Reasons for this include: difficulties in reaching a political consensus for strategic projects that require strong institutional support (including parliamentary review and approval) in a country that has seen a succession of 11 ministers in charge of energy over the last decade; several ministry reorganisations and ministerial reshuffles; and the need to secure all the necessary approvals from STEG, which employs more than 10,000 people who benefit from the powerful Tunisian General Labour Union. On top of this, some senior civil servants are reluctant to engage in strategic economic decisions following the increasing number of dismissals and convictions of officials by the Tunisian courts over the last few years. Finally, budgetary constraints sometimes prevent the government from issuing sovereign guarantees that could otherwise enhance the creditworthiness of such projects.

It is worth comparing the strength of local institutional support for the green transition in Morocco and Tunisia. As noted above, in Morocco, the green transition and its ambitious targets benefit from political support at the highest level, with continuous monitoring of the implementation of the strategy by key officials who directly report to King Mohammed VI. In Tunisia, in addition to the capacity issues and institutional challenges that affect the main stakeholders, there remains a large gap between the ambitions of the green energy transition (be it on domestic projects or those advocated by the EU) and the reality on the ground, where significant investment is required. FDI from European renewable energy developers would not only help Tunisia diversify and open up its economy – in line with the conclusions of the most recent Association Council meeting between the country and the EU – but would also strengthen the capacity of Tunisian institutions to carry out major economic projects and provide much-needed economic growth to stabilise its democratic transition.

Green electrical interconnections across the Mediterranean

Interconnection projects can provide power-system flexibility among participating countries, allowing them to draw on electricity generated across a wide geographical area, different supply sources (renewables and thermal), and mitigate against the risk of supply disruptions. For EU member states, these projects can provide access to a vast source of decarbonised energy, helping them achieve climate neutrality. This could ultimately lead to an integrated Mediterranean electricity market, strengthening economic ties between the EU and Morocco and Tunisia.

There is already significant electrical interconnection between Morocco and Spain through the Moroccan national utility, Office National de l'Électricité et de l'Eau Potable, and its Spanish counterpart, Red Eléctrica de España. Together, they engage in significant undersea energy transit in the form of two 'junctions' commissioned in 1997 and 2006. These junctions are composed of seven cables connecting the Moroccan substation of Ferdioua to the Spanish substation of Tarifa. The interconnection was initially used to import electricity from Spain to Morocco but, in 2019, the balance began to shift and Morocco started using it to export electricity to Spain, following the commissioning of a new coal-fired power plant in the city of Safi. This change, and others, prompted the European Commission to consider applying a carbon border adjustment mechanism under a new directive (which is currently at the public consultation stage). This news led Spain to reduce such carbon-generated electricity imports

, which had the indirect consequence of putting in doubt projects for a new interconnection between Morocco and Portugal and a third interconnection with Spain (which is planned for 2026, and for which Morocco and Spain signed a memorandum of understanding in February 2019). As such, declarations of intention between Morocco, France, Germany, Portugal, and Spain were signed in 2016 at the COP22 meeting in Marrakesh and in Brussels in 2018, to set up a timetable for the development of a Sustainable Electricity Trade (SET) Roadmap. This would be a significant step in facilitating cross-border trade between producers of green electricity and corporate consumers of that electricity under power purchase agreements in SET countries.

Tunisia currently has no electrical interconnection with the EU, but it has three with Libya, and is connected to Algeria through five lines – although, due to an apparent lack of coordination between the systems, Tunisia can never be sure it will receive the electricity it needs from other countries on time or in the quantities it requires. Tunisia’s gas supply comes from the Trans-Mediterranean Pipeline with Algeria, and it sources only a tiny share of its energy from renewables. Tunisia’s reliance on natural gas and petroleum makes it highly vulnerable to price volatility and disruptions in the international commodities markets. Demand for energy is growing in Tunisia, as is its reliance on imported energy resources. A connection to the European market could help mitigate against many of these risks, as well as strengthen Tunisia’s role as a supplier of green energy to the EU.

In May 2019, Italy and Tunisia agreed to develop the Elmed Mediterranean undersea interconnector, which will link Tunisia’s power grid to the much larger European network, with 2025 as a target date for completion. The proposed €600m link was designated in 2019 as an EU Project of Common Interest. As Italy imports a substantial share of its energy, the link would make it possible to integrate the two electricity markets, significantly improving the interconnection of the EU system with North Africa. Most of Italy’s installed solar power capacity is located in Sicily and southern Italy, regions that host most of the new projects under development. According to the World Bank (which funded a feasibility study into a Tunisia-Italy power interconnector), the link would boost Tunisian renewable development by providing Tunisia with a large back-up power capacity, easing the integration of intermittent solar and wind power into the country’s grid. It would lessen Tunisia’s reliance on imported Algerian natural gas and secure lower-cost electricity for the country, strengthening its energy security. It would also contribute to the diversification of Tunisia energy mix through sustainable energy development.

RECOMMENDATIONS

Reframe EU cooperation with Morocco and Tunisia under the European Green Deal

The southern neighbourhood presents a range of challenges in the bilateral relationships between North African countries and the EU, from the pursuit of climate neutrality and the management of migration to the promotion of economic resilience and the need to respond to economic competition from China. While an integrated approach to these issues would undoubtedly be beneficial to making a success of Green Deal diplomacy, such an intensified EU approach also needs to earn the endorsement of Europeans' Moroccan and Tunisian counterparts. They will interpret any approach that leans on European conditionality as the EU unilaterally promoting its interests rather than seeking an alliance with equal partners on a common green transition agenda. Such reliance could cause friction and tension in the diplomatic relations between the parties, and potentially cause them to turn towards China.

Morocco and Tunisia have clearly expressed their ambitions to work closely with the EU on the green transition. Alongside this, the EU is keen to pursue the global leadership dimension of the European Green Deal. With this in mind, there is a clear opportunity for enhanced cooperation with the two countries, and the EU can now take a series of steps to advance this agenda. These include:

Award "Green Partner" designations

Both the EU, and Morocco and Tunisia, could substantially benefit from the creation of a new label of "Green Partner", which would be a way of signalling that both sides are moving into a deeper Green Deal partnership. This designation would open the door to privileged access and association with EU initiatives, policy dialogue, and finance. It could not only promote the EU's global leadership with these countries, but also attract other third countries, including those in sub-Saharan Africa.

Create a Mediterranean Community for Renewable Energy

The Green Partner designation step could be complemented by the creation of a broader "Mediterranean Community for Renewable Energy", an approach that was recently backed by the

French parliament and that was inspired by the European Coal and Steel Community. This format would aim to further strengthen institutional support for the development of the green energy sector across the southern Mediterranean.

Make use of the EFSD+ financing mechanism

In 2018 the European Commission proposed EFSD+, whose budget stands at €89.2 billion, of which 30 per cent is to be allocated to climate-related objectives. The commission plans to merge nine separate instruments and funds into the new EFSD+ regulation. This will be an integrated financial package that supplies financing capacity worldwide in the form of grants, technical assistance, financial instruments, and budgetary guarantees. The EFSD+ instrument specifically aims to support investments as a means of contributing to sustainable and inclusive growth, the fight against climate change, and addressing the root causes of irregular migration and forced displacement. For this reason, the European Commission should incentivise EU companies willing to invest in renewable energy projects in Morocco and Tunisia to use the EFSD+.

Import green hydrogen from Morocco and Tunisia

Following Germany's example, other EU member states should establish partnerships with Morocco and Tunisia to import green hydrogen as a way to complement their domestic efforts to decarbonise their economies. Setting up such initiatives will require substantial institutional support, with the EU providing technical expertise to countries in its southern neighbourhood. It will also require high-level cooperation between the relevant stakeholders, including EU institutions, EU member states, and Morocco and Tunisia, as well as European and local industrial actors. When EU member states' domestic hydrogen strategies do not involve imports of green hydrogen, EU institutions such as the European Commission could approach them to discuss the omission. This would be in line with the broader effort to ramp up Green Deal diplomacy.

Like natural gas, green hydrogen can be transported via pipelines and connected to the European gas grid using the following existing infrastructure: the Maghreb-Europe Gas Pipeline, which links the Hassi R'Mel natural gas field in Algeria via Morocco to Spain, where it is connected with the Spanish and Portuguese gas grids; and the Trans-Mediterranean Pipeline, which is a natural gas pipeline running from Algeria via Tunisia to Sicily. Green hydrogen could also be shipped by sea from Morocco's Nador West Med port, which is currently under construction and is widely expected to include large storage facilities for such commodities.

Additionally, the conclusion of green hydrogen partnerships between EU member states and Morocco and Tunisia would create a significant opportunity for countries in the EU's southern neighbourhood to become pioneers in producing green hydrogen for both domestic use and export, thereby supporting their economic growth.

Alongside this, the EU should consider bringing Morocco and Tunisia into the European Clean Hydrogen Alliance, which the bloc launched in July 2020. The alliance brings together industry, national and local public authorities, civil society, and other stakeholders with the ambitious aim of combining renewable and low-carbon hydrogen production to supply other sectors and to enable the distribution of hydrogen. Only European countries are currently allowed to participate in the initiative, but the alliance should agree to allow key Moroccan and Tunisian green hydrogen actors to take part in its activities, including through ministries such as MASEN, the Research Institute for Solar Energy and New Energies, STEG, and industrial actors such as the OCP Group and the Groupe Chimique Tunisien. Similarly, initiatives such as the European Battery Alliance, the Bio-Based Industries Joint Undertaking, and the European Raw Materials Alliance could bring their Moroccan and Tunisian counterparts into their work.

In addition, the EU should consider allowing Moroccan and Tunisian civil society organisations to take part in the European Climate Pact. Under the pact, the European Commission supports emissions-reduction initiatives with knowledge and capacity building – it could offer these services directly to grassroots groups in both countries.

Build new green electrical interconnections in the Mediterranean to increase energy interdependence

Given Morocco's close proximity to Europe and the electrical power lines that run between them, the

country could be further integrated into the European electricity market. In the long term, such a scenario would benefit both Europe and Morocco by increasing their interdependence, which could be further strengthened by the establishment of energy connectivity partnerships. Currently, such partnerships only cover thermal electricity and do not yet extend to renewables, which the European Green Deal could develop through green electrical interconnections. These new projects could be used to export green electricity from Morocco to Spain and Portugal by, for instance, using a certification that confirms that the exported electricity is from a renewable source. This would help surmount the potential obstacle of the EU introducing a carbon border adjustment mechanism, which could affect how much electricity Morocco can send to Europe, as the exports would then comply with the EU's policy of climate neutrality. In relation to this, policy dialogue and high-level institutional support are needed to develop new interconnections with Spain and Portugal. Such new projects would significantly benefit from the status of EU Projects of Common Interest by entitling them to help in streamlining implementation, meeting environmental and other regulatory standards, increasing public participation and visibility, and providing access to funding from the €30 billion EU Connecting Europe Facility.

In Tunisia, the Elmed project could facilitate the export of green electricity to Europe once the country has scaled up its solar power generation – as it is very likely to do, given the large-scale private sector investments in renewable energy generation that should accompany the planned interconnector. As an initiative already listed as an EU Project of Common Interest, Elmed falls within the scope of the international dimension of the European Green Deal. While half of the funding was expected to come from the EU (and the rest from public-private partnerships), the latest application for a grant from the Connecting Europe Facility was unsuccessful. This created a funding gap that could be filled by the European Fund for Strategic Investment. Strong institutional support would accelerate the project.

Increase technical and capacity building assistance to key Tunisian energy stakeholders

The EU should increase its policy dialogue with, and technical assistance on capacity building to, Tunisian stakeholders involved in the development of renewable energy (particularly the Ministry of Energy, STEG, and the general authority in charge of public-private partnerships). This would involve EU budgetary support for such stakeholders with a view to further incentivising their staff to engage with these ambitions, improving the efficiency of internal processes and governance, setting up appropriate project management structures, and developing a project management culture that facilitates the completion of strategic renewable energy projects. By allocating such support, this

element of Green Deal diplomacy can provide, and underscore the importance of, high-level cooperation with Tunisian officials to achieve such projects, which are also vital to Tunisia's economy, politics, and society.

Target the European Green Deal on creating jobs in fragile areas of Morocco and Tunisia

EU policymakers should consider a “development-centred” approach that maximises opportunities for local people (rather than a full export-orientated approach that does not target the domestic market and chooses a country merely because it is an advantageous place to manufacture, and in turn export, goods and services). They should engage in policy dialogue with the Moroccan and Tunisian authorities to ensure that the investments they make as part of the European Green Deal are tailored to create local workforce opportunities, increase inclusive employment, reduce poverty, and ultimately contribute to mitigating migration challenges in the EU's southern neighbourhood.

Without leaning too hard on conditionality, the EU could create a geographically targeted funding mechanism to incentivise green projects in the regions of Morocco and Tunisia most need economic support. These regions often have features that are attractive for renewable energy investments, such as being particularly windy or containing spacious desert areas. This approach would resemble the EU Just Transition Fund mechanism, which provides financial assistance to EU regions that are highly dependent on fossil fuels and high-emissions industries in their green energy transitions. In Morocco, this could be the case for the north-eastern Rif region, which has traditionally been a point of departure for irregular migrants travelling to Europe. The Tunisian governorates of Kasserine and the landlocked Tataouine, Gafsa, and Tozeur have unemployment rates that are significantly higher than the national average, let alone more prosperous coastal areas. Investments as part of Green Deal diplomacy should target these areas.

CONCLUSION

The EU and its member states have an opportunity to draw on the international dimension of the European Green Deal to consolidate European leadership and influence in their southern neighbourhood. The decarbonisation of energy is an increasingly important policy priority on both sides of the Mediterranean. Without it, the EU will fail to fulfil the ambitions it set out in its climate policy and the commitments made by both member states and North African countries under the

Paris Agreement. If European policymakers swiftly implement the actions recommended in this paper in close coordination with the Moroccan and Tunisian authorities, this will benefit the EU, Morocco, and Tunisia. These actions will strengthen the EU's position on the world stage, increase its influence in a key part of its neighbourhood, and help it ward off other global powers' efforts at encroachment into the region.

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