

A closer *clean transition partnership with Egypt* would boost EU trade, industry and geopolitical influence

LESSONS FROM EGYPT'S DEEPENING CLEAN TRANSITION TIES WITH CHINA AND THE GULF

Richard Smith, Ellie Belton

Strengthening trade cooperation with Egypt in support of its ambitious renewable energy targets offers unique benefits for Europe's regional influence, supply chain resilience, and industrial competitiveness. To retain a strong position alongside growing investment from China and the Gulf countries in this sector, the EU needs to be assertive, focused and joined up. By creating local value, supporting industrial decarbonisation and deploying its unique development-based investment approach, the EU can set itself apart as a reliable and collaborative partner to help drive long-term clean growth in Egypt.

Egypt's energy transition is essential for its climate and economic goals, and for the EU's regional stability. As China and Gulf countries deepen their clean investments in Egypt, the EU must balance competition and cooperation with both. This means recognising the challenges of competing head-to-head in areas where others are already established, while leveraging EU strengths on more complex aspects of transition, such as modernisation of grids. The EU can make more of its geographic proximity and strength in local value creation, but must reduce Carbon Border Adjustment Mechanism (CBAM) tensions.

In this briefing, we map the role and priorities of the three major geopolitical actors – the EU, China and the Gulf – in Egypt's clean transition. We assess where clean energy, industry, and trade cooperation works, where it does not, and where gaps remain. **Our recommendations show how the EU can continue to play a role in Egypt's transition while advancing both its own and Egyptian priorities.**

Opportunities for the EU to deepen clean energy cooperation with Egypt

THE EU, CHINA AND GULF COUNTRIES ARE ALL MAJOR PLAYERS, BUT THE LEVEL OF ENGAGEMENT VARIES



Major international partners in Egypt's energy transition: China, Gulf*, and EU.



Circle size: Benefit to EU / China / Gulf of their engagement with Egypt



Arrow: Areas where the EU would benefit from deepening its engagement

	EGYPT'S PRIORITIES			PARTNER ENGAGEMENT LEVEL		
	Low	Medium	High	Low	Medium	High
TOP PRIORITY	Low-cost and flexible financing				EU	China, Gulf, EU
	Rapid project commercialisation	EU				Gulf, China
	Centralised renewable energy generation	EU				Gulf, China
	Hydrogen industry development					China, Gulf, EU
HIGH PRIORITY	International electricity interconnectors					China, Gulf, EU
	Domestic grid modernisation	Gulf, China			EU	
MEDIUM PRIORITY	Local skills and job creation	Gulf, China			EU	
	Local clean supply chains (beyond hydrogen)	Gulf, EU			China	
	Distributed renewable generation	China, Gulf, EU				

Note: * Gulf countries represented by the Gulf Cooperation Council flag.

Recommendations

More detail on these recommendations is provided in the final section of this briefing.

1. Anchor EU-Egypt clean cooperation in EU industrial and security priorities

A strategically framed partnership with Egypt can expand markets for European industries, build globally competitive pan-Mediterranean supply chains, and reinforce the EU's physical and energy security by maintaining influence in North Africa and facilitating bidirectional energy interconnections. Development cooperation must be reinforced with public and private investments to deliver at scale and secure EU industrial participation and political backing.

2. Prioritise cooperation on clean sectors where the EU remains competitive

Enabling infrastructure – such as cables, transformers, and storage – should be a core focus, rather than areas such as large-scale solar generation where China or Gulf actors already dominate. To achieve this, the EU must develop a long-term map of competitive industries, ease market access for European firms through support like Global Gateway and export credit, and use cooperation with Egypt to develop niche technologies that can later be exported globally.

3. Support Egypt's industry to decarbonise and reduce CBAM exposure, and anchor clean value chains near Europe

This will help to reduce trade and diplomatic frictions, position the EU as a reliable and collaborative trade partner to Egypt, and support the competitiveness of Egypt's low-carbon exports to Europe. This requires moving beyond dialogue to delivery: providing hands-on technical assistance for CBAM compliance, mobilising targeted investment in low-carbon production, and channelling Global Gateway funding and CBAM revenues into financing a structured Clean Trade and Investment Partnership or similar model.

4. Streamline the EU's clean engagement toolbox to compete on speed and scale more effectively in Egypt

The EU should clearly articulate the added value of EU cooperation, particularly local value creation and the potential for pan-Mediterranean supply chains due to its geographic proximity. Through the upcoming T-Med platform, the EU should fast-track priority investments, offer guarantees to address currency risks, and mobilise domestic private capital. It should also facilitate SME participation for both sides by mapping Egypt's clean energy needs against EU expertise and providing smaller-scale financial de-risking than typically offered by Global Gateway or other international competitors.

5. Engage and collaborate strategically with Gulf, Chinese and multilateral partners to maximise impact

This includes mapping Chinese and Gulf project pipelines to avoid duplication, encouraging EBRD and EIB to accept higher risk thresholds for smaller projects, and formalising cooperation with Gulf actors through EU-GCC structures. Pragmatic collaboration with Chinese companies can accelerate delivery in EU priority areas – such as grid modernisation and hydrogen infrastructure – while technical platforms like the Energy Transition Council can provide depoliticised coordination that reinforces EU influence in Egypt's clean transition.

Egypt's clean transition is well underway, and its government has set ambitions high

Egypt is heavily dependent on gas for power and industry, and its government is already taking action to address the economic and trade drawbacks of this dependence (see box on next page), not least since Egypt again became a net gas importer in 2024. As a result, the government has set an ambitious target of 42% renewable electricity¹ by 2030 (up from 11% in 2024²), aiming to take advantage of the country's immense untapped solar and wind potential. Egypt's small but fast-growing renewable electricity generation³ is already saving precious foreign currency that would otherwise have been spent on gas imports, while improving energy security by reducing import reliance.

Egypt's transition away from gas in power generation opens the door to improving the competitiveness of heavy industry exports to Europe in the context of the EU's CBAM. Meanwhile, Egypt is now home to a nascent cleantech industry that can begin to replace the income lost from its halted gas exports. These developments set the stage for futureproofed energy partnerships that will further power Egypt's economic development.

¹ State Information Service, Government of Egypt, November 2025, [Egypt aims for 42% clean energy share by 2030](#)

² Ember, [Data Electricity Explorer](#) (accessed 16 December 2025)

³ IRENA, September 2025, [Energy profile - Egypt](#) (PDF)

► Why is Egypt's gas dependence causing problems?



Egypt's gas-dominated energy system does not provide a stable backbone for its economy

Egypt is dependent on gas for around 75% of its electricity generation and for much of its industry (a third of its total demand). In recent years, Egypt has faced regular blackouts as it has not been able to secure sufficient gas supplies to meet electricity demand – which is rising fast given its growing population, developing economy, and increasing cooling needs due to hotter and longer summers.

Now a net gas importer for the first time since 2018, Egypt is facing chronic foreign currency shortfalls, exacerbated by high exposure to the price volatility in global gas markets that all importers face. This raises the risk of future supply issues, such as in 2022 when several of the world's largest developing countries were priced out of the gas market. In turn, this leaves Egypt open to geopolitical leverage from major gas exporters, as seen in a new agreement to buy \$4bn of relatively expensive US LNG.⁴



Gas dependency puts Egypt at a trade disadvantage

Increasing uncertainty and rising protectionism in the global trade landscape further raise the stakes for Egypt to strengthen its international partnerships with trusted allies. Deepening trading relationships with cooperative countries seeking win-win outcomes, particularly developed economies which can offer the stability and financial security Egypt needs, will increasingly require pursuing a more ambitious decarbonisation pathway in order to present a compelling long-term offer to reliable trade partners.

Egypt's current gas reliance also means that it will be highly exposed to unilateral climate measures being introduced by the EU. This includes the Carbon Border Adjustment Mechanism (CBAM), which places additional charges on certain exports to the EU. Steel, fertiliser, and aluminium are set to face particularly high fees due to their carbon intensity. Reducing Egypt's gas dependency would therefore reduce the cost of exporting industrial goods to its largest trading partner and ensure it remains competitive in the industries of the future.

⁴ Ecofin Agency, November 2025, [U.S. Exim Bank Launches \\$100 Billion Plan, Includes \\$4 Billion Egypt Gas Guarantee](#)

A convergence of Egyptian and foreign interests is making Egypt's clean transition an increasingly crowded space

Foreign actors have a strong presence in Egypt's clean transition

The EU, China, and Gulf countries (notably Saudi Arabia and the United Arab Emirates) are particularly present in Egypt's clean transition. This is partly for geopolitical and strategic reasons, and partly due to the commercial gains to be realised.

From Egypt's point of view, international support is necessary if it is to meet its ambitious renewable energy targets (which its government is transparent about⁵), due to the sizeable financing needed not just for generation capacity, but also for grids and storage infrastructure. Building on the successes of the Nexus of Water, Food and Energy country platform that has secured \$4.6bn of international investments in Egypt's clean energy sector,⁶ the Egyptian government is now exploring a second country platform aiming to mobilise international financing for development of its clean industry.⁷

Beyond financing, Egypt's clean transition relies on the technology, expertise, and project development and operation capabilities that foreign actors can offer. Such engagement can offer significant commercial opportunities for trade partners. Chinese and Gulf clean engagement with Egypt in particular is feeding their growing role in Egypt's broader economy and financial system, such as Renminbi-denominated loans and Gulf-owned industrial zones in Egypt.

Moreover, engagement can boost actors' geopolitical influence in Egypt – a country of vital strategic importance for regional security and with which the EU, China and Gulf countries have varying forms of military cooperation. Strengthening the trading relationship can also boost partners' energy security; Egypt-produced green hydrogen to be exported to Europe and the Gulf is one example.

⁵ Reuters, November 2024, [Egypt reaffirms 42% renewable energy goal for 2030, but urges international help](#)

⁶ OECD, September 2025, [Egypt's Country Platform - Nexus of Water, Food and Energy \(NWFE\) Program](#)

⁷ Amwal Al Ghad, July 2025, [Egypt plans new climate finance platform to green industrial sector](#)

The EU has much to gain from engaging with Egypt's clean transition, but it must adapt its offer to remain a compelling partner

Looking at this broader context from an EU perspective, Egypt's clean transition increasingly overlaps with the EU's political, economic and security priorities.

Egypt's proximity to the EU, its large population and keen interest in securing EU financing make it an ideal partner for nearshoring cleantech production to diversify European supply chains. Indeed, the EU has explicitly mentioned, in its December 2025 Economic Security Strategy, that it will consider production of certain critical products in North Africa.⁸

Through EU industry engagement, Egypt can be a key partner for the EU in achieving its vision of global energy transition as a way of "securing Europe's competitive role in world markets".⁹ Egypt could then become a model for how the EU supports its partners through energy and industry transitions, easing CBAM-related criticisms from developing countries and sending positive signals for wider EU engagement with emerging economies.

The economic benefits of a strengthened EU–Egypt clean energy and trade partnership would increase stability in Egypt – a cornerstone of geopolitical security in the EU's neighbourhood and key focus of its new regional strategy, the New Pact for the Mediterranean. In addition, electricity interconnectors and hydrogen projects between Egypt and EU Member States are beneficial to energy security on both sides, as a way to diversify sources of energy supply following the lessons of the 2022 Russian invasion of Ukraine.

However, to stay relevant in the face of growing Chinese and Gulf clean transition engagement with Egypt, the EU needs to fully understand the broader landscape in which this cooperation with Egypt takes place. We place the EU's approach in that broader context in the following sections, highlighting what does and doesn't work well in the EU's, China's and Gulf countries' clean energy and trade cooperation with Egypt. This helps to define the unique value of the EU's approach, and draw out aspects of other actors' approaches the EU can emulate, avoid, or adapt.

⁸ European Commission, December 2025, [Commission announces strategic approach to strengthen Europe's economic security](#)

⁹ European Commission, October 2025, [Joint communication on the EU global climate and energy vision](#)



Analysis of Egypt's clean transition cooperation with *the EU*

EU-Egypt clean cooperation is driven by:

- 1. Security and regional stability: Egypt's geographic proximity to Europe and role as a regional stability anchor.** The EU is heavily invested in supporting Egypt, including releasing €4bn of macro-financial assistance in October 2025 (following an initial €1bn in 2024). Some of this targets Egypt's energy and industry transition, reflecting the importance of domestic energy security and decarbonisation for Egypt's economic stability. The EU-Egypt Investment Guarantee for Development Mechanism aims to mobilise €5bn for clean and environmental projects by 2027, as part of the broader EU-Egypt Strategic & Comprehensive Partnership. And Egypt is central to the EU's October 2025 New Pact for the Mediterranean and the upcoming Trans-Mediterranean Energy and Clean-Tech Initiative (T-MED), which will launch an investment platform to drive energy transition and cleantech manufacturing across the Southern Neighbourhood.
- 2. Energy transition: Egypt's extremely high renewable generation potential.** Egypt's proximity to Greece, Cyprus, and Italy has spurred a wave of interconnector projects through which Egypt aims to generate foreign currency through solar power exports. The planned 3GW GREGY (Greece-Egypt) interconnector has been designated an EU Project of Mutual Interest.¹⁰ Meanwhile, green hydrogen and ammonia have become the main focus for private investment, supported by government MoUs. Several projects have advanced beyond MoUs, notably Emirati company Fertiglobe's ammonia offtake deal under Germany's H2Global auction, with a final investment decision expected by early 2026 and production starting in 2027.¹¹
- 3. Development cooperation: Egypt's position as an EMDE makes it eligible for EU development financing.** Most European funding for Egypt's clean sector still comes from development finance institutions rather than private investment. This limits direct benefits to European industry compared to China's and the Gulf's profit-driven models, but it enables Europe to support complex areas others overlook – such as grid modernisation and decommissioning inefficient fossil plants. Beyond the EU, EBRD has been highly influential, providing extensive financing and leading development of Egypt's Nexus of Water, Food and Energy (NWFE) country platform. EIB has contributed €35 million financing¹² to an EBRD project to modernise Egypt's grid and expand renewables in exchange for closing inefficient gas and oil power stations under NWFE.

¹⁰ Egypt Oil & Gas Group, November 2025, [Egypt to Export 3,000 MW to Europe via Greece](#)

¹¹ S&P Global, December 2025, [INTERVIEW: Fertiglobe eyeing Egypt green ammonia FID within 6 months](#)

¹² European Commission, November 2022, [COP27: EU and Egypt step up cooperation on the clean energy transition](#)

Snapshot: Current EU–Egypt clean cooperation



Aiming to mobilise **\$5bn** investment in Egypt by 2027



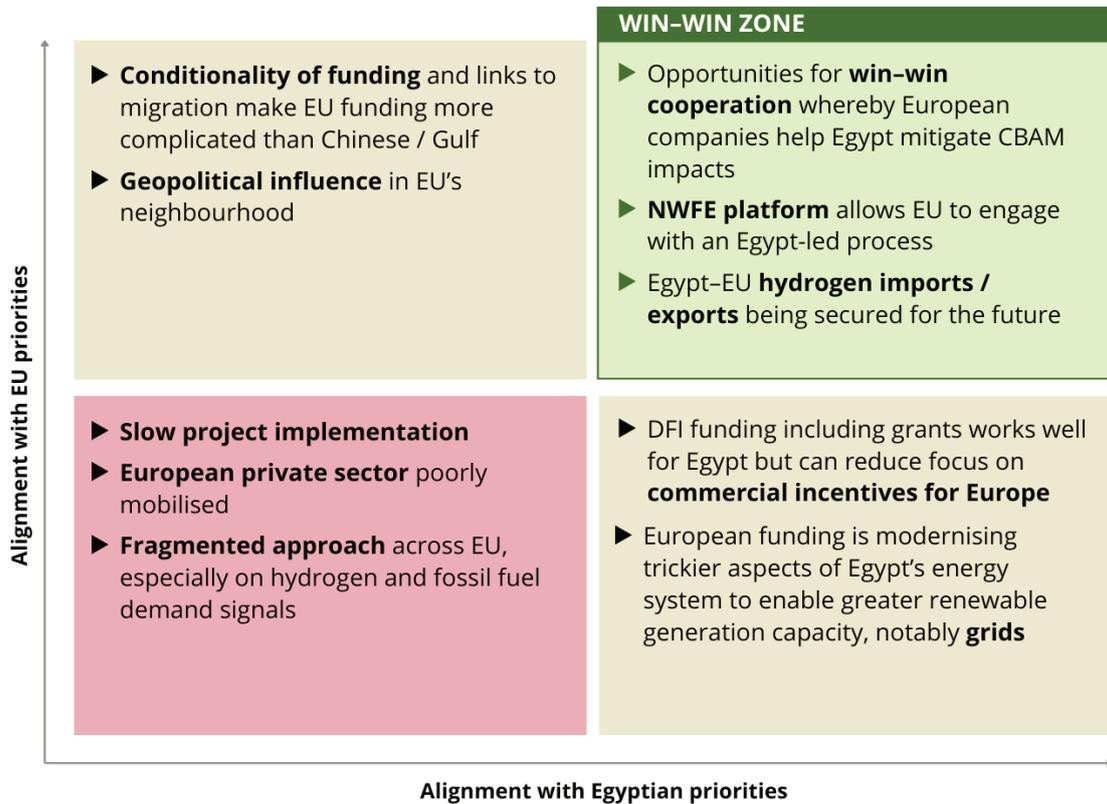
Dominated by **development financing**



Focus on **hydrogen, grids, interconnectors to EU**



Consistent investment history



GAPS IN COOPERATION

- Value chain capture and pan-Mediterranean supply chains
- Large-scale benefits to European industry
- Maximisation of benefits of EU–Egypt geographic proximity, e.g. more integrated grids
- Full transparency about future EU energy import needs

UNIQUE BENEFITS OF EU AS PARTNER

- Cooperation on modernisation of Egypt's electricity grid
- High concern for human rights and local benefits of clean projects
- Development-based approach rather than commercial-based

4. Trade partnership: Key industrial sectors face high exposure to the EU's Carbon Border Adjustment Mechanism (CBAM). Egypt's exports of aluminium, fertilisers, hydrogen, steel and cement to Europe will face additional costs under the CBAM. The World Bank¹³ estimates that Egypt's CBAM-related economic exposure will be approximately 0.2% of GDP – the third highest globally after Mozambique and Ukraine. The EU is working with UNIDO on CBAM readiness in Egypt through the TIGARA¹⁴ project, but so far EU–Egypt clean cooperation has not focused directly on providing support to the most exposed industries. Some targeted investments are emerging from other European countries, such as Norwegian company Scatec's \$650m project to provide low-carbon power to decarbonise Egypt's largest aluminium manufacturer, thus facilitating the export of lower carbon aluminium which stands to be more competitive in the context of the EU's CBAM. Building on this framework to support decarbonisation efforts across CBAM-exposed sectors would be a win-win opportunity for both Egypt's industries and the EU's carbon pricing diplomacy.



Analysis of Egypt's clean transition cooperation with *China*

China–Egypt clean cooperation is driven by:

1. Chinese economic policy: Egypt as an outlet for excess Chinese manufacturing capacity and a route to greater Chinese economic growth. With China's domestic production far exceeding local demand – particularly for solar panels – projects in Egypt allow China to export surplus capacity. Meanwhile, China is also investing \$227 billion in green manufacturing globally, surpassing the scale of the Marshall Plan in 2024-adjusted value. This preserves Chinese access to global markets, for example by allowing tariff-free export of Chinese-manufactured products from Egypt to the EU. Chinese projects in Egypt tend to be large-scale, aiming to build integrated clean energy ecosystems that position Egypt as a regional export hub. China has committed \$15bn in clean energy investments in Egypt since 2023.¹⁵

¹³ World Bank, July 2025, [How developing countries can measure exposure to the EU's carbon border adjustment mechanism](#)

¹⁴ UN Industrial Development Organisation (UNIDO), August 2024, [The European Union and UNIDO sign a new project addressing trade growth and sustainable industrial development, in cooperation with the Government of Egypt](#)

¹⁵ Tin Hinane el Kadi, October 2025, Powering the Green Transition: China's Growing Role in Egypt's Renewable Energy Sector, case study commissioned to inform this briefing, available from <https://www.e3g.org/publications/eu-egypt-partnership-win-win-for-trade-industry-clean-transition/>

Snapshot: Current China–Egypt clean cooperation



\$15bn clean energy investments since 2023



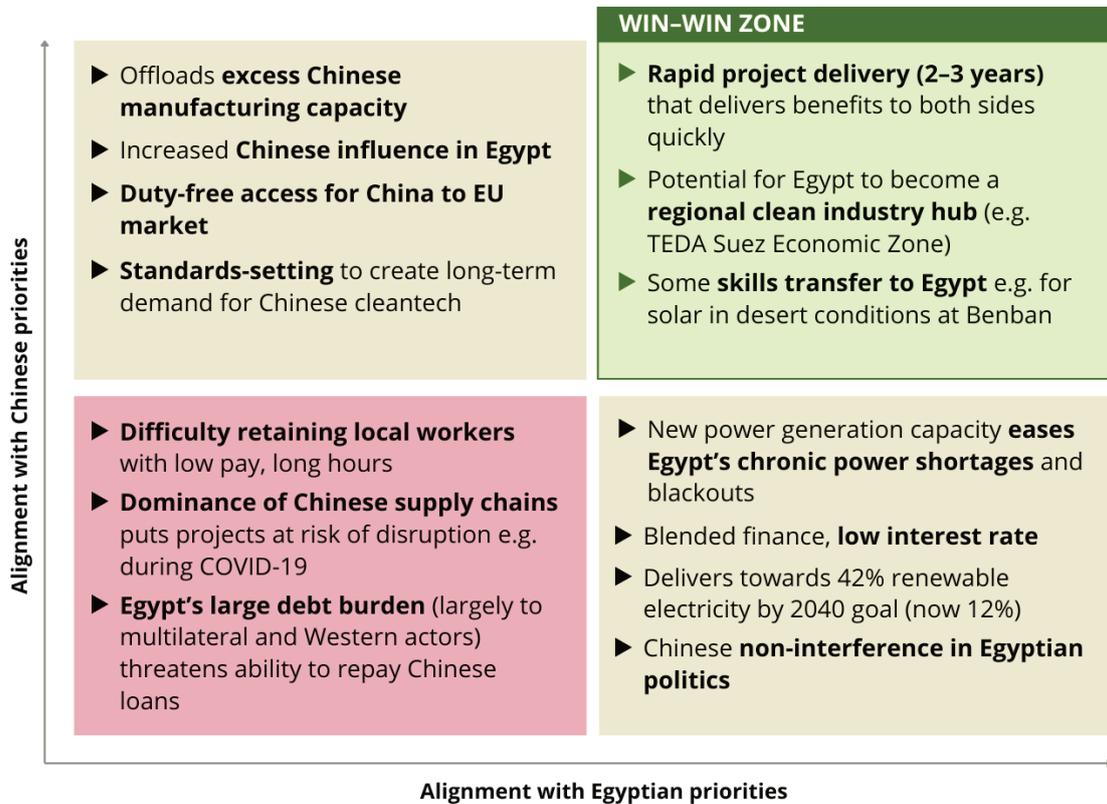
Dominated by **state-owned institutions**



Focus on **hydrogen and manufacturing**



Major upward clean investment trend since 2021



GAPS IN COOPERATION

- ▶ High ESG standards and local benefits
- ▶ Capacity building for Egypt e.g. genuine technology transfer
- ▶ Smaller-scale projects

UNIQUE BENEFITS OF CHINA AS PARTNER

- ▶ Cheap and easily accessible funding
- ▶ Extremely rapid project delivery
- ▶ Minimal interest in domestic politics relative to other actors

- 2. Geopolitical context: Egypt as a venue for greater Chinese geopolitical influence in the MENA region.** While Chinese ambitions for geopolitical influence in the MENA region remain modest compared to the role of the US, Egypt and China have deepened military cooperation in recent years, including joint exercises and Egyptian purchase of Chinese military hardware. Clean cooperation offers China another, softer, route to influence in Egypt and North Africa more broadly. The Suez Canal also makes Egypt a key focal point for global trade flows, offering the shortest shipping route between Europe and Asia and therefore crucial for China–EU trade.
- 3. Clean finance: China as a source of cheap, easy and fast financing.** China offers fast, low-cost financing with few conditions – often at reasonable interest rates, in a shift from earlier Belt and Road practices. Linked directly to Chinese commercial interests, projects can move from approval to delivery in just 2–3 years. While this speed is possible in part because of a lower focus on labour and environmental standards compared to the EU and little technology transfer, it also reflects how China is exporting its highly efficient domestic approach to infrastructure. Meanwhile, China's export-heavy model makes it adept at integrating into complex financing structures.

Examples of recent clean cooperation projects between Egypt and China:

- ▶ **Benban Solar Park**, providing 2–3% of Egypt's total electricity demand and therefore a key component of Egypt's ambitions to reach 42% renewable electricity by 2030.
- ▶ **TEDA Suez Economic Zone**, a largely Chinese-owned enclave in Egypt that manufactures upstream and downstream components for solar panel production and is a major contributor to Egypt's domestic manufacturing ambitions.
- ▶ **Gulf of Suez wind project**, adding 1.6 GW to Egypt's grid – delivered ahead of schedule despite harsh desert conditions. Backed by Saudi developer ACWA Power, Chinese construction firms, and development banks including EBRD and AfDB, it illustrates how Chinese companies integrate well into complex global financing frameworks.



Analysis of Egypt's clean transition cooperation with *the Gulf*

Gulf–Egypt clean cooperation is driven by:

- 1. Clean finance: Investment from Gulf states as an accessible source of project financing for Egypt's clean economy.** Gulf financing is a critical enabler of rapid industrial growth in Egypt, its speed, scale and flexibility making it particularly appealing. Gulf investment into Egypt (across all sectors) reached \$40 billion in 2024.¹⁶

¹⁶ GCC General Secretariat, November 2025, [Trade and Investment Forum Between Egypt & the GCC](#)

Gulf developers like Masdar deliver large-scale renewable projects quickly and at competitive rates, while major Gulf investments build confidence in Egypt's industry, attracting further public and private financing. The Gulf-Egypt Trade and Investment Forum,¹⁷ launched in Cairo in November 2025, aims to deepen economic ties and create a long-term strategic partnership underpinned by shared political will.

2. **Regional stability: Egypt as a pillar of regional stability for Gulf security.** For Gulf states, maintaining a strong partnership with Egypt safeguards critical maritime and trade routes, counters the influence of hostile states in the region, and reinforces the Gulf's strategic autonomy amid shifting global power dynamics. Clean cooperation provides the foundation to strengthen the wider diplomatic relationship between Egypt and the Gulf, which supports the geopolitical objectives of both sides in navigating an increasingly multipolar landscape.
3. **Gulf economic goals: Clean cooperation supports Gulf ambitions for economic diversification.** Gulf states are driven to reduce dependence on fossil fuel revenues, which can be volatile and face decreasing global demand in the long term. Egypt offers a large domestic market and an entry point for regional expansion to enhance clean investment flows into Northern Africa and diversify away from hydrocarbons. Established trade corridors with the Gulf and a relatively stable economic climate relative to other neighbouring countries makes Egypt an obvious candidate to align clean investment projects with Gulf interests and build long-term resilience for the region.

Examples of recent clean cooperation projects between Egypt and the Gulf:

- ▶ **Saudi-Egypt electricity interconnector**, set to exchange 3GW of electricity by 2026, will offer energy security benefits and facilitate renewable energy grid integration
- ▶ **4GW of green hydrogen plants** to be developed by Masdar (UAE state-owned renewable energy company) and Hassan Allam (Egyptian developer) in the Suez Canal Economic Zone by 2030, supporting Egypt's hydrogen export ambitions
- ▶ **Saudi-backed ACWA Power has committed \$10bn for Egypt's renewable market**, with a portfolio already exceeding 1.8GW across the solar and wind sectors.

¹⁷ Arab News, November 2025, [Gulf-Egypt trade and investment forum kicks off in Cairo](#)

Snapshot: Current Gulf–Egypt clean cooperation



\$40bn total investment in 2024 (clean + other)



Dominated by **state deposits and sovereign wealth funds**



Focus on **renewables, green hydrogen, power grids & industrial zones**



Significant upward investment trend in recent years



<p>GAPS IN COOPERATION</p> <ul style="list-style-type: none"> ▶ Lack of integration with local ecosystems and value chains ▶ Less appetite to finance smaller scale projects in less developed areas ▶ Regulatory cooperation to overcome infrastructure & governance bottlenecks 	<p>UNIQUE BENEFITS OF GULF COUNTRIES AS PARTNERS</p> <ul style="list-style-type: none"> ▶ Strong track record of financial support, including crucial liquidity injections ▶ Geographic proximity & established trade corridors offer security benefits ▶ Formal cooperation frameworks offer long-term investment certainty
---	--

The EU must take action now to secure its long-term role in Egypt's clean transition

The growing influence of China and the Gulf in Egypt's clean economy means that the EU risks being squeezed out of the region. This would see the EU lose out on shared clean economic benefits, but could also leave a gap that presents wider geopolitical and security risks for Europe. The following recommendations set out how the EU should strengthen clean cooperation with Egypt to mitigate these risks.

Recommendation 1: Anchor EU-Egypt clean cooperation in EU industrial and security priorities

The EU's development assistance approach presents a unique offer compared to Gulf and Chinese actors by supporting a wider range of projects and risk profiles. Unlike Chinese and Gulf focus on large-scale solar and wind farms and industrial zones, the EU invests in more complex areas of Egypt's transition such as grid modernisation, and leverages this to push reforms like closing inefficient gas plants in exchange for clean financing. This approach benefits Egypt's long-term growth and should continue.

Given the scale of capital needed for Egypt's energy transition, the EU should look to complement development financing with broader public and private sector investments. This could build on the success of the H2Global auction, which secured a 20-year offtake agreement with an Egyptian green hydrogen producer in 2024. To deliver further projects on this scale, in line with the October 2025 EU Global Climate and Energy Vision, other parts of the EU financing system and private sector need to better understand why supporting Egypt's clean transition aligns with their own priorities – in a more joined-up approach as seen in China and the Gulf.

Overall, the EU should view Egypt's clean transition not only as a development issue but also an economic and hard security issue:

- ▶ **View clean cooperation as a motor for industrial competitiveness.** This is both Egypt as an export market for Europe-manufactured cleantech components such as cables and storage, and via pan-Mediterranean supply chains that outperform Europe-only or Egypt-only supply chains. The success of European–North African supply chains in automotive manufacturing provides an example.
- ▶ **Recognise that a diminished influence in Egypt threatens the EU's broader geopolitical and security priorities.** Meanwhile, Chinese and Gulf support for Egypt's energy sector is gaining them strategic influence in the region as they address one of Egypt's top concerns.

- ▶ **Egypt also presents a major opportunity to boost the European energy transition, through diversification of energy suppliers and planned interconnectors.** For example, interconnectors with Greece and Italy will only be able to send electricity to the EU if Egypt is first able to meet its own domestic energy needs.

Recommendation 2: Prioritise cooperation in clean sectors where the EU faces less competition

In Egypt's increasingly crowded clean transition space, the EU should avoid areas where it is already outcompeted – such as large-scale solar generation – and instead focus on segments where (a) Chinese and Gulf engagement is limited and (b) the EU has a competitive edge in technology or skills. In order to achieve this, the EU should:

- ▶ **Map out clean industries where the EU is competitive and is likely to remain so for the rest of the decade,** particularly “enabling infrastructure” like cables, transformers and storage. This could build on the strategic projects under the EU's Net Zero Industry Act by highlighting the key components of cleantech supply chains where Europe is most competitive.
- ▶ **Work with the Egyptian government and private sector to ease market access for these European clean industries** (both for selling European-made products and for European companies to manufacture in Egypt), providing financial assistance from Global Gateway and risk guarantees from export credit agencies where needed.
- ▶ **Identify opportunities for innovation where the EU can improve its own cleantech offering** and future export potential. For example, Chinese and Egyptian engineers worked to develop desert-proof solar panels for the Benban Solar Park project in Egypt – creating technology which can now be deployed to similar geographies worldwide.

Recommendation 3: Support Egypt's industry to reduce CBAM exposure and anchor clean value chains near Europe

Given the significant impact of the EU's CBAM on Egypt's economy, the EU should broaden its focus beyond the energy transition to support the decarbonisation of exposed industries such as iron & steel, aluminium, fertilisers, and cement. Responding to Egyptian industry concerns, for example by offering positive incentives to decarbonise alongside more punitive measures, would strengthen diplomatic relations and highlight the benefits of deeper trade cooperation. This approach would also rebuild trust and position the EU as a cooperative and reliable partner for developing economies affected by the EU's decarbonisation policies. Europe could also support Egypt with regulatory reforms such as transitioning its voluntary carbon market into a domestic carbon tax scheme, which would also make Egypt's low-carbon exports more competitive in other markets as they prepare similar carbon border adjustment schemes.

Specifically, the EU should:

- ▶ **Offer enhanced technical assistance and information exchange**, including through the EU's Task Force for International Carbon Pricing and Markets Diplomacy, to improve support for CBAM compliance and provide targeted investment to help Egyptian industries develop clean economy value chains which will further reduce CBAM impacts.
- ▶ **Focus bilateral cooperation – such as through a Clean Trade and Investment Partnership (CTIP) or similar framework – on decarbonising CBAM-affected industrial sectors.** This could include regulatory cooperation to facilitate interoperability of monitoring, reporting and verification schemes and targeted funding for industrial decarbonisation, provided either through the Global Gateway or by repurposing CBAM revenues. Using CBAM revenues to fund decarbonisation initiatives, rather than contributing to EU Own Resources, could help to ease wider trade and diplomatic tensions. A clean trade partnership would be preferable to using revenues for climate finance as it would mutually benefit the EU and Egypt.
- ▶ **Enhance CBAM diplomacy by working with Egypt on carbon pricing in plurilateral and multilateral fora.** Maintaining open communication channels with organisations working on CBAM implementation in Egypt, such as the Centre of Excellence in Egypt's General Organization for Export and Import Control (GOEIC), would help to keep stakeholders better informed of regulatory changes in Europe. This would also bolster Egypt's carbon pricing diplomacy in the context of a rapid evolving global landscape, with further CBAMs likely to be introduced in the coming years.

Recommendation 4: Streamline the EU's clean engagement toolbox to compete on speed and scale more effectively in Egypt

China, the Gulf and the EU each have their own unique toolboxes for clean engagement. The EU has much to offer, but risks losing market share due to its more extensive regulatory approach. To stay competitive despite longer project timelines, the EU should:

- ▶ **Double down on promoting its unique benefits**, such as prioritisation of local value creation, where trade and regulatory harmonisation has fostered extensive pan-Mediterranean supply chains in the automotive industry. Relevant policy decisions must ensure that the partnership makes both European and North African industry more competitive globally, rather than one replacing the other. This will require extensive consultations and research on Europe and North Africa's industrial landscapes and future growth trajectories, to identify the areas where pan-Mediterranean supply chains can be genuinely win-win for workers and companies. The EU can also better maximise the benefits of its substantial development finance instruments, and proximity to Egypt that enables things like interconnectors that are not possible with all other partners.

- ▶ **Encourage European private sector investments in Egypt** since they can be faster than public-driver projects, but leverage EU funding to create a layer of continuity and consistency to strengthen one-off private investments, for example through convening knowledge exchanges between European and Egyptian private sector actors.
- ▶ **Use the upcoming T-MED platform to accelerate investment decisions**, building on the CTIP model by targeting key value chains and remaining flexible as energy transition dynamics evolve. This should include strong guarantee mechanisms that support local-currency funding to help project developers avoid the “currency mismatch” of earning in Egyptian pounds while owing in euros – in turn unlocking the domestic private capital necessary for large-scale energy transition in Egypt, and creating new business opportunities for European cleantech.
- ▶ **Ease SME engagement with Egypt’s clean transition** – where Chinese and Gulf SMEs are largely absent, creating an opportunity for EU firms. The EU should map Egypt’s clean energy needs to EU SME expertise, provide market-entry guidance, and offer small-scale financial derisking, beyond Global Gateway’s large-scale focus.

Recommendation 5: Engage and collaborate strategically with Gulf, Chinese and multilateral partners to maximise impact

The EU already works directly with other actors on Egypt’s clean transition, for example through co-financing EBRD projects. It is indirectly connected to Gulf and Chinese actors in terms of co-financing renewables projects, financing projects that use Chinese cleantech, and Gulf/Chinese renewables projects that benefit from EU-financed grid modernisation.

To leverage this cooperation more to its own and Egypt’s advantage, the EU should:

- ▶ **Push EBRD (and its own EIB) to raise risk thresholds and support smaller projects.** This can help the EU to enter niches (for example smaller-scale projects) that Chinese and Gulf investors are typically less interested in.
- ▶ **Consider stronger formal cooperation with Gulf actors** via existing EU–Gulf Cooperation Council (GCC) structures, leveraging shared interest in improving Egypt’s investment climate.
- ▶ **Map Chinese and Gulf project pipelines in Egypt**, so that EU cooperation with Egypt complements rather than unnecessarily competing with others’ engagement.
- ▶ **Explore pragmatic collaboration with Chinese firms and financiers on shared priorities** like climate resilience of energy systems, grid modernisation, and hydrogen export infrastructure.
- ▶ **Use Egypt’s Energy Transition Council membership** and its Rapid Response Facility for technical coordination with partners in a less politically charged setting.

ABOUT E3G

E3G is an independent think tank working to deliver a safe climate for all.

We drive systemic action on climate by identifying barriers and constructing coalitions to advance the solutions needed. We create spaces for honest dialogue, and help guide governments, businesses and the public on how to deliver change at the pace the planet demands.

More information is available at www.e3g.org

COPYRIGHT

This work is licensed under the Creative Commons Attribution – NonCommercial – ShareAlike 4.0 License.

© E3G 2026

AUTHORS

Richard Smith is a Senior Policy Advisor in the Energy Transition team, leading E3G's work on EU energy diplomacy.

Ellie Belton is a Senior Policy Advisor in the Clean Economy team, leading E3G's work on trade.

ACKNOWLEDGEMENTS

E3G would like to thank Dr Tin Hinane El Kadi and Jessica Obeid for their substantial research contributions to this briefing.