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FUTUREPROOFING THE EU'S ENERGY RELATIONS WITH EGYPT AND ALGERIA

RENEWABLES AND EFFICIENCY TO BOOST ENERGY SECURITY AND REGIONAL STABILITY

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Gas is at the centre of the EU's current energy relationships with Egypt and Algeria. But as the gas supply crisis ends and EU gas demand falls, it is time to review and reset these relationships. Supporting Egypt and Algeria in realising their abundant solar and wind potential and boosting energy efficiency can address their rising electricity demand and deliver local benefits, while at the same time strengthening the EU's energy and geopolitical security.

Energy has risen as an EU priority for its Southern Neighbourhood as it has diversified its gas supplies away from Russia. Egypt and Algeria have entered the spotlight, with a flurry of diplomatic activity delivering several bilateral gas agreements. These developments place a new importance on the EU's long-standing gas relationship with Algeria, while adding a new dimension to Egypt's relationship with the EU, in which geopolitics, migration and hydrogen exports also play key roles.

This approach to managing these relationships is not futureproof in the context of falling gas demand. Gas is losing relevance for the EU: demand has reduced by 18% in 2023 compared to 2019,[1] and the EU's own projections show 50%

[1] Eurostat, 2024, **Supply, transformation and consumption of gas**

demand reduction by 2030 compared to 2019.[2] This poses an existential threat for Algeria given its slow pace of economic diversification away from fossil fuel exports and its dependency on European buyers.[3] Furthermore, increasing electricity demand in both countries is eating into gas export potential,[4] and power sector issues including blackouts are already hitting Egypt's economy.

Now is the time to put renewables and energy efficiency at the core of the EU's energy relationships with Egypt and Algeria. This shift would support both countries in enhancing their energy security, and economic resilience, and help them adapt to a post-fossil fuels world. Moreover, it would contribute to wider regional security. For Egypt in particular, it would enhance the impact of recent EU macro-economic support packages and reduce the extent of support needed in the future.

Resetting energy relations would also benefit the EU by boosting its energy security and industrial competitiveness, by enabling export of surplus renewable electricity from both countries to Europe. All parties' climate ambitions would be served by reducing power sector emissions, while granting access to a more sustainable and stable power supply for their people.

Recommendations (set out in more detail at the end of this briefing)

The new Commission should begin this course-correction in relations with Egypt and Algeria as the gas crisis ends and the role of renewables in the global power system grows. To do this, the EU (Commission, EEAS, and Member States collectively) should:

1. **Modernise its energy relationships with Egypt and Algeria to focus on boosting renewables capacity and energy efficiency in the power sector.** The EU should use the "reset moment" of the new Commission to shift the focus away from gas.
2. **Be fully transparent with North African countries about future EU energy demand**, so that they can plan for a realistic balance between gas, hydrogen and renewable electricity exports.

[2] European Commission, 2024, **Impact Assessment Report accompanying Commission Communication "Securing our future Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society"**. Data source: **Supplementary information: data for the graphs presented in the impact assessment** (Figure 14) downloaded from **DG CLIMA 2040 Climate Target**.

[3] E3G, 2024, **Future of EU oil and gas suppliers: risks of an unmanaged transition**

[4] GIS, 2022, **North Africa's natural gas: No panacea for the EU**

3. **Use existing diplomatic channels to jointly formulate priorities for mutually beneficial energy transitions, channelling EU finance to develop the business case for accelerated deployment of renewables and energy efficiency.**

4. **Make clear that Egypt and Algeria will be supported if they raise their ambitions further in upcoming revised NDCs,** to give both countries confidence to set ambitious goals ahead of COP30**.**

5. **In the medium term, review how it can use its expertise, diplomatic leverage, financial tools and trade policy** to scale up energy transition cooperation with Egypt and Algeria.

6. **Take a more holistic view towards energy relations with Egypt and Algeria, placing energy in the context of wider economic prosperity and regional stability** by establishing new intra-Commission coordination mechanisms.

Member States should also take action at a national level:

7. **Spain, Italy and Greece should focus their energy hub aspirations on renewable electricity imports from North Africa**, by supporting Egypt and Algeria to develop generation capacity that can both supply their domestic needs and create export potential.

8. **Germany should focus more on renewable energy and efficiency in its own energy partnerships with Egypt and Algeria**, including establishing a new partnership with Egypt to focus on energy issues beyond hydrogen.

9. **All Member States should align their policies with the above recommendations** and should include explicit emphasis on local benefits for partner countries in their energy diplomacy and partnerships.

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A continued focus on gas does little to bolster stability in the EU's Southern Neighbourhood

Egypt and Algeria are key partners for the EU, and gas plays a major role in these relationships

While Russia's war in Ukraine looms over the Eastern Partnership and conflict and instability persist in several Southern Neighbourhood countries, Egypt, Algeria, Morocco (and to some extent Tunisia) are pillars of relative stability. The EU's neighbourhood policy recognises Europe's inextricable connection with its neighbours, covering security, trade, migration, development, regional stability, energy, and beyond.

The relative importance of the EU's partnerships with several North African countries has grown since the 2022 gas crisis. In 2022, 83% of Algeria's gas exports went to the EU,[5] making up 93% of Algeria's exports to the EU[6] and 37% of Algeria's total exports,[7] while total exports of fossil fuels made up 38% of the Algerian government's budget revenue for the year.[8] While Egyptian exports to the EU are more diversified, its gas exports rose by 270% in 2022.[97] Though the Egyptian government has been hoping that gas exports will raise foreign currency and government revenue amid fiscal turbulence, gas exports to the EU fell to almost zero in 2023 due to surging domestic demand and supply issues on the Egyptian side.[710]

A changing energy landscape makes a shift in the nature of relations with Egypt and Algeria inevitable

Gas is an increasingly unreliable and declining basis for the EU's relationships with Egypt and Algeria. The EU predicts, based on its Fit for 55 and REPowerEU policies, that its gas demand will fall by 53% by 2030, compared to 2019. By 2050, when the Climate Law sets a legally binding target of climate neutrality, the EU projects a gas demand reduction of 86% (Figure 1).[2] The EU Agency for

[5] Calculated by dividing Eurostat annual 2022 data on **Imports of natural gas by partner country** by OPEC annual 2022 data on **World natural gas exports by country** (Table 9.3).

[6] European Commission, 2024, **Algeria**

[7] Calculated using **International Trade Centre 2022 annual data on Petroleum gas and other gaseous hydrocarbons**.

[8] World Bank, 2023, **The World Bank in Algeria** (based on 2016–21 data)

[9] European Commission, 2023, **Quarterly report on European gas markets**

[10] Ahram Online, 2023, **Power cuts continue across Egypt: What really causes the problem?**

the Cooperation of Energy Regulators (ACER) assesses that EU buyers are already contracted to buy almost double the LNG needed by 2030.[11]

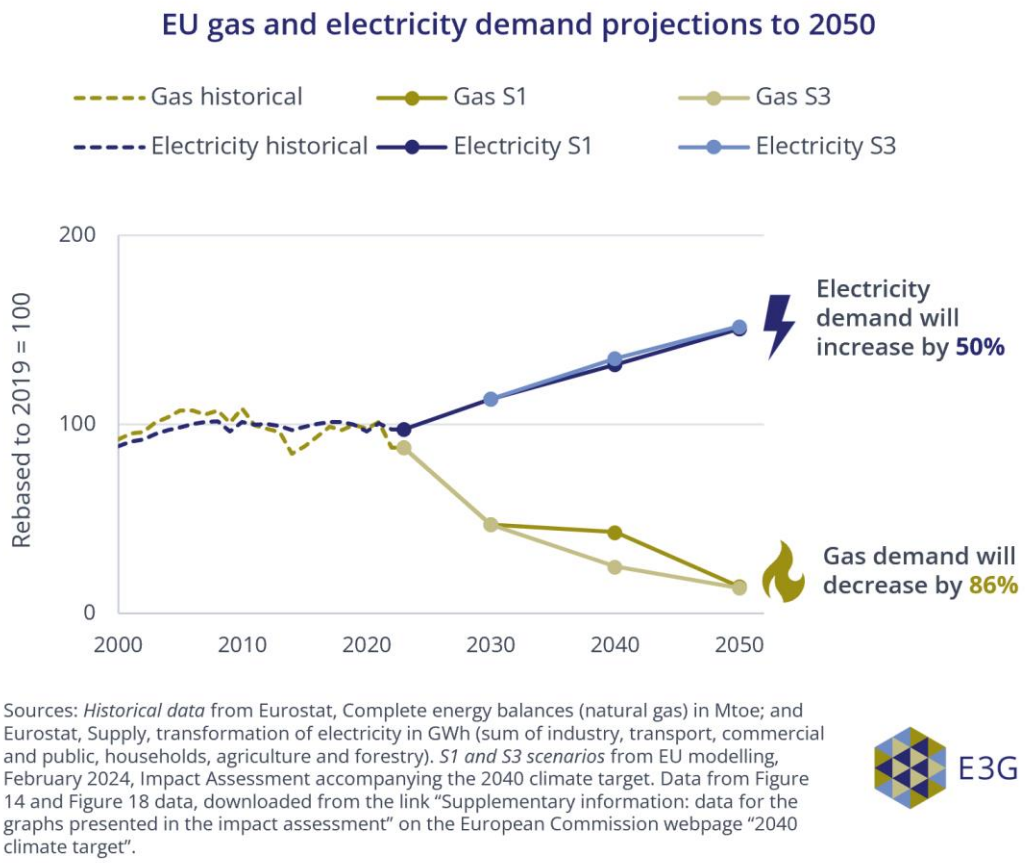

Figure 1: The status quo of relatively stable gas and electricity demand is set to be upended in the coming decades. Even in the EU's most conservative energy transition projection (S1), gas demand will be 86% lower in 2050 compared to 2019 and electricity demand will increase by 50%.

Egypt and Algeria's gas infrastructure for supplying the EU therefore increasingly bears a stranded asset risk, particularly Algeria's pipelines to the EU. Although Algeria is successfully diversifying into LNG exports, most of these shipments are still going to European markets, for example France.[12] Both countries also face imminent financial and EU market access hurdles from the EU Methane Regulation, which will apply to fossil fuel imports to the EU contracted from

[11] European Union Agency for the Cooperation of Energy Regulators, 2024, **ACER's monitoring shows EU LNG imports might be near its peak**

[12] Attaqa, 2024, **OAPEC: Algerian LNG exports record the highest growth rate in the Arab world** (in Arabic)

2030.[13] Increased expenditure on monitoring and upgrading facilities will hit both countries' gas export competitiveness at a time when EU demand is already falling and the gas market is likely oversupplied.

Meanwhile, domestic electricity demand is rising fast in Egypt and Algeria (Figure 2), leading to increased domestic gas demand.[14,15] Egypt experienced scheduled blackouts, near-complete suspension of gas exports, and growing pipeline (and latterly LNG) imports in 2023 and 2024,[16] as domestic gas demand has exceeded supply. Domestic gas production issues and regional conflict were contributing factors (Israel was supplying some of the gas for Egypt's LNG exports but operations at the supplying gas field were temporarily suspended in late 2023), alongside high cooling demand during severe heatwaves. These blackouts are significantly impacting Egypt's economic growth and development.

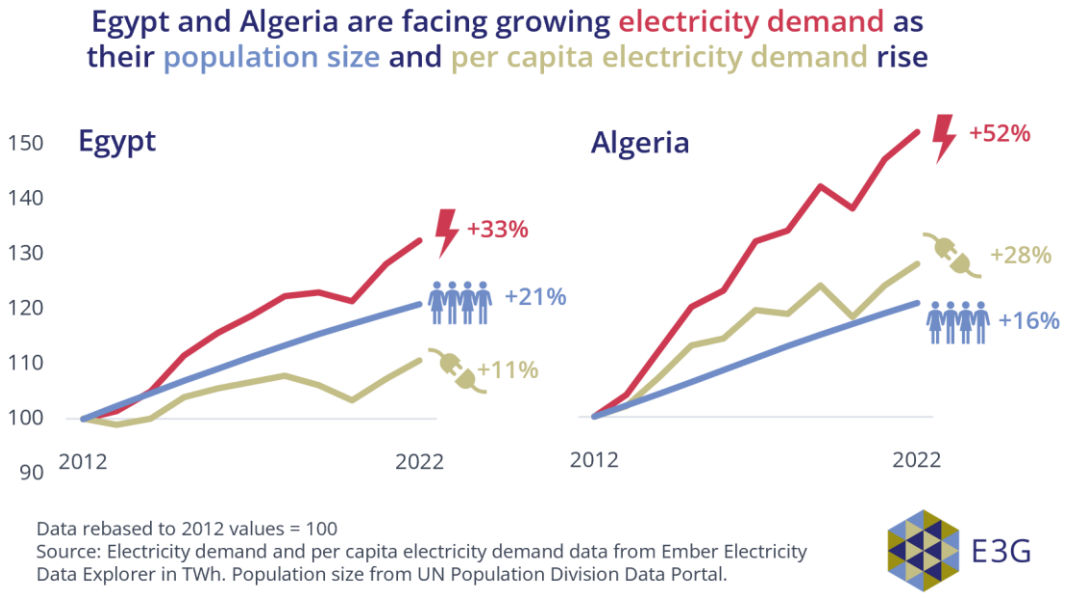

Figure 2: Growing populations and per capita electricity demand rises are driving rapid growth in total electricity demand in Egypt and Algeria.

[13] European Commission, 2024, **New EU Methane Regulation to reduce harmful emissions from fossil fuels in Europe and abroad**

[14] Ember, 2024, **Electricity Data Explorer**

[15] International Energy Agency, 2024, **Data Statistics Browser**

[16] The Tahrir Institute for Middle East Policy, 2024, **Egypt's Energy Blackouts: A Growing Crisis Amid War**

Algeria is heading towards the same crisis point as its gas surplus diminishes because of growing domestic power demand. Algeria's gas export potential peaked in 2003, when just over one-fifth of its supply was consumed domestically; by 2021 this rose to half – a trajectory set to continue under current policies.[17]

Both countries are losing out on foreign currency revenue from gas exports, while the EU is increasingly risking additional gas supply instability and knock-on impacts on EU security of supply.

Energy vulnerability is a threat to regional stability

These energy issues compound broader economic, demographic, climate change and political challenges facing Egypt and Algeria. Electricity shortage, budget gaps and economic volatility exacerbate each other and lead to instability. Budget gaps leave governments struggling to subsidise energy (Egypt and Algeria subsidised gas by $9bn and $20bn in 2022[18]), further worsening energy insecurity and budgetary stability. Resultant unemployment, cost-of-living crises and political unrest are all too familiar in this region.

The EU has already shown it is willing to spend significant amounts to maintain the stability of its neighbourhood – including a 2024 €7.4bn EU financial support package to Egypt to boost economic stability and reduce irregular migration to the EU.[19] But much of this package is addressing short-term macro-financial needs. The only grant in this package addressing energy transition is a €30m grant (alongside €135m EIB financing).[20] Further cooperation and EU funding now on energy transition offers an opportunity for such support packages to be long-term investments. If combined with the wider structural reform needed in Egypt and Algeria's economies, such support packages can contribute to energy security, prosperity and stability for both sides, rather than being emergency patches to stop the impacts of future regional instability spilling over to the EU.

[17] CEIC Data, 2024, **Algeria Natural Gas: Exports**

[18] International Energy Agency, 2023, **Value of fossil-fuel subsidies by fuel in the top 25 countries, 2022**

[19] European Parliament, 2024, **EU-Egypt Strategic and Comprehensive Partnership**

[20] European Investment Bank, 2024, **EIB Global backs €271 million Egyptian climate action, environmental pollution and carbon border business financing scheme**

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Modernising EU energy relationships brings positive impacts far beyond energy

A faster energy transition in Egypt and Algeria would benefit both those countries and the EU

Greater rollout of renewables in Egypt and Algeria would provide the electricity needed for their economic and industrial development, without the pitfalls of relying on finite gas supplies. Greater energy efficiency would further reduce reliance on gas without requiring power demand destruction, while enabling reduced energy subsidies and improved cooling access. If supply can exceed domestic power needs, renewables and energy efficiency will in turn generate a surplus of electricity that could be exported – a concept that is recognised as increasingly viable by governments and investors[21] – providing new revenue to partially offset declining gas exports to the EU. An electricity surplus is also critical if planned green hydrogen exports are to be viable (Germany has already signed deals to import hydrogen from Egypt and Algeria, and Italy to import from Algeria[22]).

The EU would also benefit from Egypt and Algeria meeting or exceeding their renewable energy and energy efficiency ambitions. Addressing Egypt's blackouts through stable renewable electricity supply would boost investor confidence economy-wide – reducing the need for future multi-billion-euro EU bailouts. The renewables industry would provide new employment opportunities, mitigating instability and migration pressures. EU support could extend beyond renewables deployment to manufacturing, which would also bring reciprocal benefits: with the right investment, cleantech manufacturing – as supported by the UN Industrial Development Organisation[23,24] – would create new purchasing opportunities for the EU as it diversifies its cleantech supplier base. Renewable electricity exports to the EU would boost the EU's energy security and industrial and economic competitiveness – both of which require reliable energy supplies at a stable price – as well as contributing to meeting its climate ambitions.

[21] ECCO, 2023, **Integrated electricity grids in the Mediterranean? A bridge for energy cooperation between Europe and North Africa**

[22] European Council on Foreign Relations, 2024, **EU Energy Deals Tracker**

[23] Green Climate Fund, 2024, **Enhancing and showcasing Egypt's leadership in cleantech innovation for climate action and energy transition**

[24] United National Industrial Development Organization, 2024, **UNIDO Director General visits Algeria to expand cooperation**

Egypt and Algeria have ambitions for the energy transition, but need more support

Egyptian and Algerian government policies already recognise the benefits of the energy transition. Egypt is aiming for a 58% share of renewables in power generation by 2040,[25] and Algeria 27% by 2035.[26] The potential for renewables in both countries is immense given their geographies, with potential installable capacity exceeding 2023 global installed capacity.[27,28] But both are constrained by hurdles on private investment, grid modernisation, skills, and regulation. These hurdles also limit their energy transition ambitions – neither has set a net zero target.

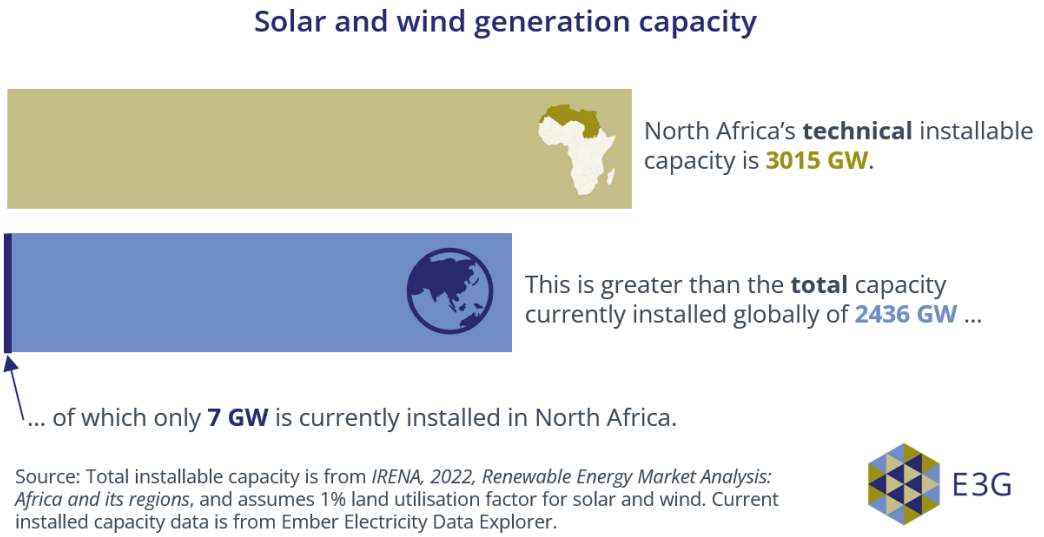

Figure 3: The technical installable solar and wind capacity in North Africa is immense – more than the total currently installed solar and wind capacity globally. Yet only a tiny proportion of this potential in North Africa is currently utilised.

To some extent, the EU recognises these hurdles, and is already growing its non-gas energy cooperation. For Egypt, recent developments include a July 2024 €30m EU grant and €135m EIB loan to support energy efficiency, pollution reduction and renewable energy,[20] and a 2022 €35m EU grant to EBRD to roll out renewable energy and maintain, upgrade and decommission inefficient gas power plants.[29] Similarly, in 2023 the EU announced a €15m renewable energy,

[25] Reuters, 2024, **Egypt's renewable power ambitions face grid hurdle**

[26] International Trade Administration, 2023, **Algeria – Country Commercial Guide**

[27] IRENA, 2022, **Renewable Energy Market Analysis: Africa and its Regions**

[28] International Energy Agency, 2024, **Renewables 2023**

[29] European Commission 2022, **EU, Egypt, EBRD Joint Statement on the Nexus of Water, Food and Energy**

hydrogen and energy efficiency programme with Algeria.[30] The EU also signed Memoranda of Understanding (MoUs) with Egypt on green hydrogen and gas in 2022, which include cooperation on renewable energy and energy efficiency. Renewable energy cooperation features in the 2017 EU–Algeria Partnership Priorities[31] and 2024 EU–Egypt Strategic and Comprehensive Partnership.

But despite these first steps in the right direction, renewables still only account for 0.7% of Algerian and 11.8% of Egyptian electricity generation.14 And cooperation on fossil fuels persists, diplomatically both at the EU level (e.g. at the EU–Algeria High Level Energy Dialogue and EU–Egypt Association Council, and in the East Mediterranean Gas Forum) and Member State level (Germany and Bulgaria have intergovernmental agreements on gas with Egypt, and France and Italy with Algeria), as well as in trade deals.

Now is the moment to reset these energy relationships

With transformational technical developments in recent years setting the stage, the current political context makes now the moment to correct the course of the EU's energy relationships with Egypt and Algeria.

There have been several game-changing technical developments

- **The global energy transition has become unstoppable as renewables have become cheaper than predicted.** Between 2014 and 2023, the price of solar PV-based electricity in Egypt (a proxy for generation cost) dropped from 14.3 to 2 cts/kWh, with wind dropping from 4.6–11.5 to 2.4 cts/kWh in the same period.[32,33] These prices are now approaching that of the most heavily subsidised electricity in Egypt (1.2 cts/kWh) and are well below the price for the biggest consumers (4.7 cts/kWh).[34] Meanwhile, at the international level, the global average Levelized Cost of Electricity fell 89% for solar and 69% for

[30] European Commission, 2023, **Joint press statement: EU – Algeria high-level energy dialogue**

[31] European Council, 2017, **The European Union and Algeria adopt their Partnership Priorities**

[32] Riad & Riad, 2021, **Electricity and Renewable Energy Regulations in Egypt**

[33] Energy & Utilities, 2023, **Egyptian minister says Egypt achieves lowest renewable power prices**

[34] Al Ahram, 2024, **Electricity prices increase** (values converted to USD using August 2024 rates)

onshore wind from 2010 to 2022.[35] Fossil fuel projects with long time horizons risk becoming uncompetitive, stranded assets.[36]

> **Energy transition first movers in North Africa are reaping the rewards of early action.** Morocco is benefiting from being an early mover, with enhanced investor confidence lowering the cost of capital to 6.7% and 6.1% for solar and onshore wind, respectively.[37] While each country's situation is unique, progress now could reduce the costs of capital in Algeria and Egypt for solar (11% and 8.8%) and wind (11.4% and 8.8%). Recent tenders for renewable projects and Egypt's Nexus of Water, Food and Energy platform, launched in 2022, demonstrate positive progress.

> **There are more ways than ever to export clean electricity surpluses, with the EU's increasingly integrated electricity market creating new opportunities for electricity exports.** As EU gas demand drops, suppliers of other energy sources are becoming increasingly important. In 2023, the share of fossil fuels in EU electricity generation fell to less than one-third, with renewables reaching 44%.[38] Planned interconnectors are gaining momentum, with the Egypt–Greece "GREGY" project designated as an EU Project of Mutual Interest in 2023, and Italy's Eni and Algeria's Sonatrach signing an agreement in 2024 on a planned interconnector.[39] EU electricity market integration offers new opportunities both for potential producing countries like Egypt and Algeria to access new markets, and for "hub" countries like Greece and Spain to redistribute imports northwards.

Against this background, the EU political and geopolitical context has evolved

> **The EU's prioritisation of competitiveness and energy security strengthens the argument for adding flexibility to the EU electricity system**, including via imported renewables-based electricity. Gas price volatility has led to unpredictable energy costs for industry, negatively impacting Europe's competitiveness. Further expanding EU grid connectivity with North Africa can supplement the EU's domestic renewables, while a larger interconnected grid offers more flexibility, including the opportunity to exploit different

[35] IRENA, 2022, **Renewable Power Generation: Costs in 2022**

[36] ECCO, 2022, **Towards new partnerships for a gas-to-clean transition with Algeria and Egypt for energy and climate security**

[37] IRENA, 2023, **The cost of financing for renewable power** (**data appendix**)

[38] Ember, 2024, **European Electricity Review 2024**

[39] Sonatrach, 2024, Sonatrach et Sonelgaz signent un **protocole d'entente avec la compagnie italienne Eni**

intermittency patterns to balance overall supply. Diversifying electricity sources can enhance the EU's energy security and reduce bills.

- **Energy, stability and competitiveness issues in the EU and Southern Neighbourhood are coming together, offering an opportunity to reconfigure partnerships with clean energy and industry at their core.** Based on these and broader considerations, and despite stalled progress on free trade agreements with the region, the EU is currently prioritising the Southern Neighbourhood. This is demonstrated by the creation of a new Commissioner for the Mediterranean role, announcement of a New Pact for the Mediterranean, and recent top-level political engagement with countries in the region.
- **Countries on both sides of the Mediterranean are experiencing the effects of climate change first-hand,** underlining the need for cooperation across the region to protect citizens from climate risks and resultant economic instability.
- **All countries must update their Nationally Determined Contributions (NDCs) in the coming months.** Failing to support partner countries in setting ambitious but deliverable NDCs would threaten EU global climate ambitions.
- **The EU is neither the only nor the biggest player in the region as its geopolitical rivals are strengthening their energy cooperation with Southern Neighbourhood countries.** Egypt's 2015 agreement with Russia's state-owned Rosatom on a $30bn nuclear power plant, to generate over 10% of Egypt's electricity,[40] dwarfs EU–Egypt energy cooperation. Meanwhile state-owned Chinese companies have dominated recent solar tenders in Algeria.[41] EU partners in the Gulf are also becoming increasingly important players in Egypt, for example Saudi state-owned ACWA Power, who made a $10bn investment in Egyptian renewable energy in August 2023.[42] These developments risk the EU losing influence in the region, but this can be mitigated by the EU demonstrating that it is a reliable and trustworthy partner.
- **The EU has new ways to provide financing.** If used well, Global Gateway, launched in 2021, can leverage private sector investment into Egypt and Algeria. Team Europe Initiatives pool EU and Member State resources. The

[40] Bulletin of the Atomic Scientists, 2023, **Why Egypt's new nuclear plant is a long-term win for Russia**

[41] Energynews, 2024, **Solar expansion in Algeria: Chinese projects take center stage**

[42] International Institute for Strategic Studies, 2023, **The Gulf states push for renewables but face challenges in climate diplomacy**

European Investment Bank 2024–27 Strategic Roadmap commits to "deepen partnerships" with the European neighbourhoods.[43] The 2021–27 EU development instrument, NDICI Global Europe, is 12% larger than its predecessor, with 30% allocated for "climate change".[44] And new EU Clean Trade Investment Partnerships can bolster clean supply chains.

Recommendations

Recommendations for the European Commission and EEAS

1. **The EU should modernise its energy relationships with Egypt and Algeria to focus on their domestic renewables and energy efficiency potential, using the "reset moment" of the new Commission to shift the focus from gas.**

   > In the annual EU–Algeria High Level Dialogue and meetings of the EU–Egypt Association Council, the new EU Energy and Mediterranean Commissioners should be clear that the EU seeks longer-term relationships in which renewables and energy efficiency support North African and European energy security and prosperity.

   > The EU's upcoming New Pact for the Mediterranean should build on the 2021 Agenda promise to "prepare for long-term scenarios where new forms of low-carbon energy gradually replace fossil fuels",[45] incorporating the benefits of reshaped energy cooperation set out in this briefing.

   > Specifically, this means shaping the existing energy partnerships with Egypt and Algeria but also the upcoming Trans-Mediterranean Energy and Clean Tech Cooperation Initiative to manage both risks (e.g. fossil fuel dependencies and energy crises) and opportunities (e.g. renewable electricity exports and industrialisation).

2. **The EU should be fully transparent with North African countries about its future energy demand.**

   > Upon starting office, the new EU Commissioners for Energy and the Mediterranean should proactively communicate the EU's gas demand trajectory up to 2030 and beyond, being clear that the 2022 "dash for gas" is now over.

[43] European Investment Bank, 2024, **EIB Group 2024–2027 Strategic Roadmap**

[44] European Commission, 2021, **European Commission welcomes the endorsement of the new €79.5 billion NDICI-Global Europe instrument to support EU's external action**

[45] European Commission, 2021, **Joint Communication: Renewed partnership with the Southern Neighbourhood**

- The Commissioners should be transparent regarding the overestimated future EU demand for hydrogen imports.[46]
- The Commissioners should also provide assessments of EU renewable electricity import demand trajectories, so Egypt and Algeria can plan for a realistic balance between gas, hydrogen and renewable electricity exports.

3. **In the short term, the EU should use existing diplomatic channels to jointly formulate priorities for mutually beneficial energy transitions, channelling EU finance to develop the business case for accelerated deployment of renewables and energy efficiency.**
   - The EU already has bilateral mechanisms in place and should also work with country platforms such as Egypt's NWFE. The EU should also look to replicate provisions from its 2022 EU–Egypt hydrogen and gas MoUs to also cover renewable energy and energy efficiency. This includes mapping opportunities to link local stakeholders with European funding sources (building on the June 2024 Egypt–EU Investment Conference), tech transfer, and energy import demand information for investors.

4. **The EU should make clear what support can be expected in exchange for increased ambition from Egypt and Algeria in their revised Nationally Determined Contributions (NDCs) ahead of COP30.**
   - The EU should work with both countries to establish what factors could limit their NDC ambition, and then target its support (for example financial or technological assistance) to reduce these hurdles.

5. **In the medium term, the EU should review how it can use its expertise, diplomatic leverage and financial tools to provide deeper energy transition cooperation packages with Egypt and Algeria.**
   - The EU should step up its (currently sparse) Global Gateway plans in North Africa. Global Gateway's ability to de-risk private finance can help mitigate the high cost of capital for renewables in North Africa.
   - The EU should support the transformation of the East Mediterranean Gas Forum (EMGF) to have a broader focus on energy, including development of clean energy. The EMGF's ambitions to create "a structured systematic policy dialogue on natural gas […] a sustainable regional gas market, and

[46] Euractiv, 2024, **EU auditors slam 'politically driven' 2030 hydrogen targets**

unlocking the full gas resource potential in the region"[47] could similarly, if adapted, help unlock the region's renewable energy potential.

> The EU should further engage with and encourage Egyptian and Algerian engagement with the Energy Transition Council (ETC; Egypt, the European Commission, EIB and EBRD are members); the Clean Energy Transition Partnership (EIB is a member); and the Cool Coalition (Egypt is working to develop a National Cooling Action Plan).

6. **The EU should use its trade policy to support Egypt and Algeria in developing renewable energy value chains.** The EU could offer market access support, technology, and technical assistance (routing this support and funding through the ETC Rapid Response Facility). This would support EU ambitions to diversify cleantech suppliers, while mitigating detrimental impacts of the Carbon Border Adjustment Mechanism. Meanwhile, the EU should offer similar support on energy efficiency by sharing technology and best practices.

   > On green hydrogen, the EU should recognise the necessity of an electricity surplus (as well as prioritise local benefits to communities and value chain development) in planned supplier countries to avoid an extractivist approach.

7. **The EU should take a more holistic view of energy relations with Egypt and Algeria, placing energy in the context of wider economic prosperity and regional stability.** This includes DG ENER working more closely with the EEAS on mitigation of long-term security challenges, with DG HOME on the interconnection of renewable energy jobs creation and economic stability to reduce migration pressures, and with the new Mediterranean DG on regional stability.

   > The EU should establish new intra-Commission coordination efforts, for example a North Africa taskforce, to deliver this holistic approach.

   > The EU should be clear why it is the energy transition partner of choice for Egypt and Algeria, and how its broad partnership offer can build on existing energy transition cooperation with China and the Gulf.

[47] East Mediterranean Gas Forum, 2020, **EMGF Statute Signing**

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Recommendations for Member States

8. **As Spain, Italy and Greece seek to strengthen their roles as energy hubs, they should futureproof their plans based on EU energy demand projections.**

   > They should cooperate to prevent gas oversupply and to meet renewable electricity demand. Given the competitive advantage of their location, they should support planned electricity interconnectors with Egypt (Italy, Greece) and Algeria (Italy, Spain). While all three countries will still need to import some gas for domestic consumption,[48] they should limit this to supplying (declining) domestic needs rather than becoming gas hubs. Growing global LNG supply reduces the previous competitive advantage that their proximity to North Africa gave over other EU countries. They should therefore phase out existing long-term gas contracts in line with decreasing gas demand projections.[49]

   > They should support Egypt, Algeria and neighbouring countries to have stable decarbonised power sectors so that planned EU electricity imports from these countries are stable. Specifically, they should explore cooperation packages on clean power generation with Egypt and Algeria to complement EU cooperation.

9. **Germany should look to refocus its energy partnership with Algeria and its hydrogen partnership and LNG agreement with Egypt**, moving beyond LNG and hydrogen to prioritise renewable electricity and energy efficiency.

10. **All Member States should align their policies with the above recommendations for the EU**, recognising the benefits that futureproofed energy relationships with Egypt and Algeria can bring to domestic priorities around energy security, regional stability and economic prosperity. This includes explicit emphasis on local benefits for partner countries.

[48] ECCO, 2024, **The state of gas: What gas infrastructure does Italy require?**

[49] E3G, 2024, **Charting the course for EU gas sector transformation**

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About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

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