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The Mediterranean Energy Scene: What Now? What Next?

SUMMARY REPORT

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Abstract

The paper provides a summary of the key issues raised in the third meeting of the Mediterranean Strategy Group which was convened in Rome to discuss the problem of energy security and cooperation in the Mediterranean from a transatlantic perspective. The meeting looked into the impact of geopolitical and economic variables on energy security around the Mediterranean, including the role and interests of "new" actors such as China, Russia and India. It also examined the outlook for new oil, gas, nuclear and electric power transmission projects, the prospects for alternative energy schemes, and the implications for strategy and policy affecting governments and the private sectors.

Keywords: *Mediterranean / Energy security / Turkey /Algeria / Gas commoditization / Nuclear energy / Renewables energies / Desertec Project / Med Solar Plan / Transatlantic perspective*

The Mediterranean Energy Scene: What Now? What Next? Summary Report

by Silvia Colombo and Ian Lesser*

In an effort to promote transatlantic and north-south debate on one of the most critical Mediterranean issues, namely energy and energy security, the German Marshall Fund of the United States (GMF), in cooperation with the Istituto Affari Internazionali (IAI), held the third meeting of the Mediterranean Strategy Group in Rome on January 21-23, 2010. The seminar brought together some fifty participants from the business, research and policy-making sectors. The meeting theme, "The Mediterranean Energy Scene: What Now? What Next?", underscored our interest in capturing current energy dynamics alongside future developments across a variety of conventional and unconventional energy sources and routes. The Mediterranean Strategy Group is a core activity of GMF's Mediterranean Policy Program, launched in 2008 to support transatlantic analysis and debate on strategic questions facing southern Europe, North Africa, the Levant, and external stakeholders in the Mediterranean. The program is conducted in partnership with the Compagnia di San Paolo, ENEL, the OCP Group, the Calouste Gulbenkian Foundation and the Luso-American Foundation. Our January 2010 meeting also benefited from the generous hospitality of the Banca Monte dei Paschi di Siena at Palazzo Rondinini in Rome.

Context and Rationale

The opening remarks emphasized the motives behind the choice of energy as the topic of the third Mediterranean Strategy Group meeting. First and foremost, this discussion was meant to fill a gap in the policy discourse. Partly as a consequence of the global economic crisis, experts and policy-makers in Europe have been heavily focused on domestic issues for some time. As regional and external actors in the Mediterranean look ahead to recovery, it will be doubly important to address broader, cross-cutting issues, such as energy and energy security, in a north-south and transatlantic perspective. The debate was conducted in an informal, roundtable setting, under "Chatham House rules" (i.e., on a not-for-attribution basis). This report provides a summary of the key issues raised during five substantive sessions. An agenda and list of participants are attached to this report. In addition, GMF has published several papers prepared for, or related to the theme of the Rome meeting.

This paper was prepared in the framework of the Third Mediterranean Strategy Group Meeting organized by the German Marshall Fund of the United States (GMF-US) in cooperation with the Istituto Affari Internazionali (IAI) and with the support of the Compagnia di San Paolo, ENEL, the OCP Group, the Calouste Gulbenkian Foundation and the Luso-American Foundation – Rome, January 21-23, 2010.
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The agenda started with a discussion of the geopolitical and geo-economic context for the energy security equation around the Mediterranean, including the role and interests of "new" actors such as China, Russia and India. We moved on to a discussion of trends in energy demand and supply; the outlook for new oil, gas, nuclear and electric power transmission projects; a detailed treatment of the prospects for solar and other alternative energy schemes; and the implications for strategy and policy affecting governments and the private sector.

The Impact of Geopolitical and Economic Variables on Energy Security

The first session aimed at setting the context in geopolitical and economic terms. In particular, a link was established between energy security, political variables and investment. Issues related to governance, political stability and succession in producing states are often cited as prominent factors which will shape energy security in the Mediterranean region. Several participants stressed that any threats to stability, both internal and external, including physical threats directed at infrastructure, may have an impact on future energy related decision-making. At the same time, abrupt changes in legislation and difficulties in predicting costs may threaten foreign investments, thus constraining future energy production. Indeed, the shortage of investment is likely to outweigh any other threats to energy security in the short-to-medium term. Other challenges may arise from the re-emergence of energy nationalism in the region, among consuming as well as producing states. Projects requiring regional integration and common infrastructures will be particularly affected by this risk. Notwithstanding the interdependencies generated by energy trade, the prevailing geopolitical conditions are not conducive to integration. This is most evident in the Maghreb, where critical borders remain closed and political obstacles to cooperation are substantial. Despite the existence of multiple threats to energy security, our debate recalled the demonstrated resiliency of energy supply and transport, even under conditions of extensive violence and social and political disruption. Algeria's decade of internal conflict is a leading example. Despite widespread terrorism and political violence in the 1990s, and consequent worries about gas supply in France and southern Europe, attacks on energy facilities were very rare, and there was no significant interruption in supply to regional and world markets.

Our debate also underscored the critical question of perspective in discussing energy security. The question is very much in the eye of the beholder. Consumers discuss energy security in terms of predictable access to adequate energy supplies at reasonable prices. The producer perspective is less commonly discussed, but equally important in the Mediterranean context. For producers, energy security is all about predictable markets, sustained prices, and for some, predictable sources of investment in the energy sector. By these measures, key producers around the Mediterranean may actually see an erosion of their energy security position. Two key elements in this equation will be the continued "commoditization" of natural gas, as LNG trade and new pipelines make gas less of a strictly regional commodity; and the development of large new energy resources outside North Africa and the Middle East – in West Africa, Brazil and in the form of shale gas in North America. Taken together, these changes could transform the gas picture in critical ways, and reduce the pricing power of Algeria and

Russia in the gas market. These developments may also call into question the longer-term commercial viability of some existing and planned gas transport projects.

Old and New Actors on the Mediterranean Energy Scene

The Mediterranean energy landscape is in constant change due to the emergence of new actors and new international dynamics. Beyond doubt, Europe features among the long-standing protagonists on this scene due to its historic and geographical connections to the Mediterranean. This proximity has not spared the EU very unbalanced relations in terms of energy supply, whereby north-eastern Europe is almost totally dependent on Russia for its energy needs. In some parts of southern Europe, Algeria is an overwhelmingly important gas supplier. In order to address this imbalance, the EU is keen on increasing domestic energy production in the nuclear and renewable sectors, on better demand management and increased energy efficiency, and on diversifying its energy sources geographically. In the European perspective, stability and prosperity in the Mediterranean region are the two most important objectives. At the same time, the "great game" model of energy competition is getting more complicated, due to the emergence of a whole new geography in the Mediterranean energy scene. With the proliferation of new routes (and now new sources), assumptions about a zero-sum competition for control over transport and markets are increasingly questionable.

Russia is not a new actor in the Mediterranean, but it is emerging with a completely different role compared to the Soviet period. One participant contended that Russia is using energy as an instrument of state policy, and this successful strategy has already made it one of the fundamental energy suppliers to southern European countries. For example, Italy imports 32% of its natural gas from Russia, while France depends on this source for 16% of its gas supplies. In the medium to longer-term, Caspian and Central Asian energy may go in increasingly large amounts to China, rather than to European markets. This is likely to create some problems of supply in the EU. The data presented by one participant point in the direction of a growing involvement by Russia in the countries of the southern Mediterranean in recent years, particularly in Algeria to which Russia has cleared a debt amounting to $4.7 billion dating back to the Cold War period. It appears that Russia is trying to position itself on the Mediterranean market in order to compete with North African producers, and above all, Algeria, after the latter's declaration that it will increase its supply capacity significantly (there was some skepticism among participants regarding Algeria's ability to meet these ambitious production goals).

By contrast, India is a relative newcomer on the Mediterranean energy scene. It is motivated by the growing need to diversify its supply base from a strong reliance on the Gulf countries, in particular Saudi Arabia and Iran from which it derives 70% of its oil imports. Moving further eastwards, China's growing involvement in the Mediterranean is driven by specific interests and its footprint in the region is likely to become more substantial as its domestic energy needs increase. It was reported that one third of Chinese energy imports already come from five African countries – Nigeria, Angola, the Republic of Congo, Equatorial Guinea and Sudan. Next to this group of countries, Algeria represents a crucial partner in the North African region. In parallel, China has developed a substantial physical presence in the country: 50,000 Chinese workers reportedly reside in Algeria. China also has a long history of involvement in Algeria's nuclear power program. Overall, it was judged that where China goes it is likely to stay, and this will eventually increase competition with Russia and India in North as well as sub-Saharan Africa.

Two eastern European countries – namely Romania and Bulgaria – both bordering the Black Sea, appear to be increasingly involved in the Mediterranean, again motivated by the desire to diversify energy supplies. This is significant in that it creates new links between the Black Sea, the Mediterranean, and beyond. Participants agreed that the prevailing division between these two geopolitical "spaces" is largely artificial and obscures more than it reveals. The position and role of Turkey was the object of a thorough reflection by the group, impelled by the centrality of this country in the transatlantic debate, and not just in energy terms. To the extent that Turkey's priorities shift away from the EU, the US and Israel, and toward the Middle East and Russia, this could alter the balance of power in the Mediterranean, and the balance of interest in new energy projects. But this shift should not be taken for granted. At least one participant doubted that Ankara's new foreign and energy policy activism amounted to such a fundamental reorientation. The real question, he argued, is the increasing volatility of Turkish foreign policy. To be sure, Turkey is becoming an independent variable in the Mediterranean region once again. As a leading consumer and transit country, it is an energy player in its own right whose actions are dictated by its own interests. It is reportedly the second fastest growing energy market worldwide, after China. Thus, the audience was invited to look at Turkey in the 2010s from a different angle. It is re-discovering its role on the international scene and diversifying its engagement to reflect strong national and commercial interests.

The role of two more external actors was debated, albeit from a slightly more conjectural point of view given the unstable and transitional nature of both countries. Concerning Iraq, it was asserted that much will depend on the results of the parliamentary elections in March, 2010. The second actor is Iran. It cannot be disregarded that when and if Tehran starts playing a more assertive role in energy terms, it will change the Mediterranean energy scene significantly by opening up a new corridor leading eastwards to China. Iraq's main asset lies in the fact that it has a direct route to the Mediterranean which runs through Syria and Turkey, while Iran could also supply central and south-eastern Asia. Much has been made of the Baku-Tiblisi-Ceyhan (BTC) route as a transforming contribution to energy infrastructure. But it was noted that the existing pipelines from Iraq to the Mediterranean – if operating at full capacity – have roughly twice the overall capacity of BTC. Iraq, via Turkey, remains a Mediterranean energy actor of substantial weight.

Apparently little attention was devoted to the "elephant in the room" -- the US. Because of its dwindling physical presence in the Mediterranean region (global ship strength is roughly half of its level in the 1980s, and likely to decline further, and the 6th Fleet no longer keeps an aircraft carrier battle group in the Mediterranean), the US Navy is not playing its traditional role of securing energy transportation routes through and around the Mediterranean as in the past. Looking ahead, it was suggested that other actors, certainly Europe, and possibly even China or India, will begin to take up this role, thus creating a new kind of burden sharing in energy and maritime security. This element has not been fully appreciated yet and, according to one participant, this should be done in the framework of the New Strategic Concept which will be developed by NATO. The very extensive experience of multilateral cooperation in Mediterranean maritime security through NATO's Operation Active Endeavor, launched in 2001, can be a useful model. Although the operation was focused on counter-terrorism, it has obviously had energy security implications in the Mediterranean.

The Mediterranean Energy Scene Today

Is it possible to speak of a "Mediterranean energy market" today, or in the future? This was the main theme for the second session of the seminar. What are the main trends in oil and gas trade in and around the Mediterranean? How do the different interests of the actors shape the market? A number of sub issues were discussed. First, is the availability of energy interconnections – both between the two shores of the Mediterranean and on European soil, from southern to northern Europe – dependent on the progressive integration and liberalization of the European energy market? Second, is it possible to profit from economies of scale in the region? Harking back to our discussion of energy security, participants were invited to consider that, in the short-to-medium term, the main threat in the Mediterranean region lies beyond the geopolitical terrain. Energy demand and supply trends in the region show signs of a looming mismatch. In the case of Europe, it was underlined that EU energy demand is flat at the moment due to over-supply, and while prices are low, they are expected to rise again once Europe starts recovering from the economic crisis. All of this must be interpreted in the context of differing perspectives on energy security, which means different things to different actors. As noted earlier, for consumers, energy security is largely about securing diversified supplies at competitive prices. Increasingly, this also means keeping an eye on the environmental implications of supply arrangements. By contrast, from the point of view of producers, energy security largely translates into demand stability. What we are witnessing on the Mediterranean scene today is a shift from security of supply to security of demand as a strategic imperative for regional actors. It is less clear whether this shift is temporary or permanent.

The energy market in Europe suffers from two main shortcomings, one structural and regulatory, the other commercial. The former is represented by the gaps and imbalances existing in distribution channels. Once oil and gas have been transferred to southern Europe, "they are stuck." On the one hand, there is a sheer lack of interconnections and adequate infrastructures which would be needed to bring the energy to northern Europe. On the other hand, in southern European countries, including France, Italy and Spain, there is weak growth in demand for energy because the market is saturated. The view was put forward that the EU should first invest in restructuring its own energy market before turning to new projects in and with North Africa. The situation on the ground substantially hinders the creation of a single European energy market, and this is reflected in the Mediterranean, which is one of the most fragmented regions of the world. It has been fifteen years since the negotiations around a European energy regulatory framework started. This touches directly on the balance between public and private investments. Participants generally agreed on the fundamental point that energy security cannot be obtained by means of commercially feasible projects alone. The involvement of the private sector is not sufficient to support energy security for the long term; the public sector needs to be involved. Anticipating our next topic, it was noted that this also holds for renewable energy plans. While it is true that Desertec is a private-sector initiative, many experts and policy-makers advocate a more pro-active involvement of the public sector, especially in alternative energy projects with high barriers to start up.

The Algerian energy market: potential and challenges

For the 500 million European energy consumers, making up the largest economy in the world, Algeria is a very important supplier. It currently supplies 20% of EU natural gas demand and represents the fifth gas producer and supplier worldwide. According to Algerian authorities, the Algerian gas supply potential is likely to increase thanks to planned projects. Despite rumors concerning new gas discoveries, the amount of gas produced and supplied by Algeria has remained stable in the last decade. Furthermore, at least one participant questioned the ability of the Algerian regime to undertake investments of around $63 billion required to modernize the country’s ageing energy production infrastructure.

The same participant listed a number of challenges which Algeria needs to face in order to retain its predominant role as an energy supplier. First, the alternative energy potential of Algeria has not been fully explored yet, despite the regime's highly publicized plans for the production of electricity through solar energy. The main pending issues in this sector are related, once again, to the amount of investment needed and to the availability of the appropriate know-how, technical expertise and infrastructure. Second, another limitation is represented by the geological configuration of the Algerian territory and, in particular, of the specific areas from which gas is extracted. Third, as discussed in the previous section, Algeria must face the reality of fiercer competition from new actors in the area – the Mediterranean basin – in which it used to playing a leadership role and shaping energy dynamics. Finally, one of the most urgent questions is related to the state of Algerian human resources. Algeria is losing skilled people year after year, an ongoing “brain drain” with implications for future production and foreign investment.

Several participants described Algeria as a leading example of a “rentier state,” in which rents from resource production are controlled and managed by a restricted number of people within a sovereignty conscious system resistant to outside involvement. Significant political and commercial interests lie underneath the current arrangement for national distribution of energy revenues. Without a credible democratization process and improved governance, the prospects for more efficient distribution of energy revenues appear to be dim. One participant observed that although belonging to the broad category of “rentier states,” Algeria appears very different from the model in at least some of the Gulf States, where a degree of openness is emerging. By contrast, the Algerian system remains relatively traditional and nationally-oriented in terms of its reluctance to embrace outside stakeholders and its pattern of investments. The fact that Algeria has virtually no sovereign debt underscores the distinctiveness of the Algerian case. Algeria is also interested in creating something similar to OPEC for the gas market in view of reducing price oscillations, although the viability of a consortium of this kind has been viewed with considerable expert skepticism.

From a broader perspective, one participant from the southern shore of the Mediterranean suggested that the real problem of the Maghreb economies is not energy security per se, but food security. This issue seems to be particularly important for Morocco which is an important producer of phosphates for fertilizers, a critical input to global agriculture. This production currently requires imports of gas and oil from Venezuela and Trinidad, imposing a higher cost on the final product. Improved regional cooperation in energy could see greater efficiencies in this and other sectors. Another participant was confident that the world is moving toward a system of unity in energy prices through the expanded use of liquefied natural gas (LNG) technology, and therefore it does not matter, or at any rate, matters less and less, if you buy gas from your neighbor or from thousands of miles away. This observation brought into debate the whole question of the political problems besetting the Maghreb region in terms of lack of cohesion and integration. It was noted that, according to a recent study, this situation results in a 2% loss in GDP each year for the countries of the region.

Moving from these challenges, it was remarked that the future of EU-Algerian energy cooperation appears to depend on the following issues: Do European investors see Algeria as a reliable partner?
Are Algerian solar energy plans based on real commercial logic, or are they a purely political exercise? What are the consequences of the most recent developments within Sonatrach for the investment environment (our debate took place as sweeping changes in the management of the company appeared to be underway)? According to one participant, outside observers may only see a small part of what is happening within the Algerian energy sector, and perhaps not the most important part. Needless to say, Sonatrach's capacity may well be affected by continued management turmoil.

The Eastern Mediterranean

Our discussion drew attention to the East Mediterranean as a crucial microcosm from which to gauge the most recent trends in oil and gas trade around and with the Mediterranean. This geographical area, including the much-discussed “southern corridor”, has not been spared the tough competition characterizing the Mediterranean as a whole. Concerning gas, it was noted that countries such as Greece and Turkey have been using LNG on a large scale since the 1990s, and that the market for LNG has been undergoing a process of liberalization in recent years. The most influential actor in the eastern Mediterranean region is Russia, which is working hard to dominate energy supply routes, and to reduce competition from other producers. Turning to oil consumption and production, the former was judged to be on the rise due to increased consumption needs from vehicles, despite the recent economic slump. A reference to renewable energy sources was also made here, in the framework of changing patterns of supply and demand. For example, in Greece, the use of photovoltaic solar and wind power are gradually displacing the use of oil in the islands.

The Future of Gas, Nuclear and Renewable Sources

Our third session looked to potential and prospective projects. Participants were virtually unanimous in pointing to "gas commoditization" as one of the most significant and enduring trends on the energy scene, regionally and worldwide. As a result of this process, gas is moving from being simply a regional commodity to becoming a global commodity, and this is happening at a fast pace. Gas trade will essentially stop being restricted by transportation constraints, often linked to geopolitical variables, and will be less distinguishable from oil as a globally traded resource. This will also have an impact on the sustainability of regional oligopolies in the marketing of gas. Since the European dependency on LNG is likely to skyrocket in the next few years, once the continent recovers from the economic crisis, the easiest way to make this gas available is through de- and re-gasification plants in the producing countries and in Europe, respectively. This point led one participant to argue that projects such as Nabucco, South Stream and Galsi all belong to a different age, and not all of them will be built. LNG infrastructure and trade are potentially more profitable and the technology is already largely available, although costs are still quite high.

The discussion on the potential of nuclear power in the Mediterranean, and on renewable energy sources, was particularly animated. When these two sectors are compared, it becomes clear that (in 2008) the EU injected fifty times more money in the nuclear energy sector than in renewables. Participants were invited to take a more critical attitude toward the notion that nuclear energy is less expensive. According to some participants, the prospects for the nuclearization of the Mediterranean region are quite high. France and Russia have been especially active in making their civil nuclear technology available as part of their engagement with Mediterranean partners. Some viewed this pattern as a potential source of conflict, owing to different conceptions of nuclear power in the energy security equation, and the environmental and proliferation implications of a new wave of nuclear construction around the region. These implications would be strongly shaped by the nature of regimes and ongoing geopolitical competitions around the southern Mediterranean. Another issue is the increasing politicization of the nuclear question on all sides, and the very different governance implications across energy alternatives. The choice to invest in nuclear energy is not so much a question of engineering as of political will. In the case of renewable energy sources, each household, each taxpayer, will have to be involved in the decision, thus making the whole process of turning to renewable technology inherently more democratic (even in societies where political participation is limited). Conversely, it was suggested that nuclear energy development entails very few decisions which can be taken in a more centralized manner by a handful of decision-makers.On this topic, it was also noted that the provisions of the Non-Proliferation Treaty (NPT) allow countries to have access to nuclear technology for peaceful purposes, and this aspect of the nuclear "bargain" cannot be disregarded unless the treaty is revised.

Turning to renewable sources, it was argued that three different sets of issues need to be taken into account: commercial, technical, and not least, political. Starting from the assumption – heavily debated within the group -- that renewable energy projects, such as Desertec and the Med Solar Plan, are not "bankable" today, the question is how to convince private investors that their investments will be bankable and profitable in the medium to longer-term? To what extent should states step in? What kind of incentives should states provide, and what kind of regulatory framework is necessary to mobilize investments? The picture sketched by one participant shows that the Mediterranean region comprises 7% of the world population, 35% of which is concentrated in the North and 65% in the South. Concerning pollution, two thirds of the greenhouse gas emissions derive at the moment from the northern Mediterranean region, although by 2030 the north and the south will likely be responsible for an equal share of emissions. Renewable sources are said to have a huge potential in the southern Mediterranean region, although for the time being they account for only 10% of the energy produced.

Why should the countries of the southern Mediterranean invest in green technology when they have much cheaper alternatives? One participant observed that investments in the renewable energy sector need to be accompanied by a continuous flow of investment directed at traditional energy sources, since the wind and the sun are intermittent sources of energy. There was no clear consensus on whether nuclear is, in fact, the best ally of renewables because it is the best and cleanest way to meet base power demand. Some suggested that this role can be better performed by gas, especially under conditions of wider availability and decreasing cost. The efficiency of electric power transmission, including undersea lines, is an important part of the picture, strongly affecting the question of whether, as one participant put it, “it is more efficient to move molecules or electrons.” The nuclear energy alternative is not generally regarded as a wise choice for southern Mediterranean countries facing more urgent policy demands, from the stability of energy prices to the lack of investment in human resource, infrastructure and security.

On the solar front, consideration of the Desertec project and the Med Solar Plan produced a lively debate. One participant asked why NEAL (New Energy Algeria) is not participating in it, and the answer underscored the extent to which the southern Mediterranean audience still sees the Desertec project as obscure, or as an essentially political endeavor that is linked to Euro-Mediterranean cooperation. Few realize that Desertec itself is a private sector venture. By contrast, the Med Solar Plan is indeed a French-led initiative connected to the Union for the Mediterranean (UfM). Some felt that the Plan might be doing more harm than good, to the extent that it overshadows local projects which are less visible but potentially more attractive to investors. Our debate suggested a broader tension between large, well publicized projects such as Desertec, and smaller, less visible initiatives. Although today producing solar energy in North Africa is much cheaper than producing it in Europe, one participant observed that we still do not see many initiatives for renewable energy coming from the southern Mediterranean region itself. The explanation, according to this same observer, lies in the heavily subsidized price at which electricity is sold in these countries – a continuing impediment to new, commercially viable alternative energy projects.

As solar and other renewable energy technologies become more efficient and cost-effective, and as transmission technologies (including undersea) improve, the scope for wider regional and north-south initiatives will improve. In the meantime, it was suggested that there is already important scope to apply renewable technologies on a local and national basis. For rural areas around the southern Mediterranean, including those currently “off the grid,” renewables are already a valuable alternative to diesel generators.

In the south, and at the political level, it was argued that there is a broad awareness of the need to develop alternative forms of energy, especially in countries such as Libya where the depletion of conventional sources would pose an immense challenge. On the one hand, the Libyan economy remains largely dependent on oil exports, and this situation needs to be addressed for energy security reasons. With this in mind, recent investment laws encourage investments in alternative energy, and Libya sees some value in being part of global debates and projects related to green house gas reduction, even if the economic potential seems remote. At the same time, several participants saw cooperation on energy alternatives as a potentially important pillar for regional integration in the Maghreb. Progress in this sphere could help to attract new investments and contribute the development of more effective and profitable energy distribution schemes across the region. But, again, one participant doubted that we could count on wider economic integration in the Maghreb anytime soon, and it would be a mistake to make this a precondition for modest, concrete cooperation on solar energy. Perhaps smaller, practical projects of this kind could offer an incremental basis for wider, longer-term cooperation.

Morocco’s plans for renewable energy development were described and discussed in some detail. Morocco is dependent on imports for some 85% of its energy needs. In an attempt to change this unbalanced situation, and to make environmentally-friendly investments, the country is committed to produce 42% of its electricity through renewable sources by 2020, and to become a net exporter of energy to Europe via Spain. A major goal, linked to this endeavor, would also be to invest in the establishment of new companies in the renewable sector energy to create much needed jobs in a country where perhaps 30% of the young population is unemployed. This was described as an effort to ensure that human resources were integral to the plan, and that the renewable energy sector would be self-sustaining. The concept was well received, although there was some debate on the question of whether renewable technologies would turn out to be engines for significant job creation over the longer term, in the north or in the south (many aspects of solar technology manufacturing, for example, are not particularly labor intensive, and are already the subject of strong international competition).

Several important remarks were offered at the close of this discussion. First, it was noted that our debate, and the energy security debate in general, remains highly Euro-centric and focused on the continent’s energy needs and investment potential. A more forward looking assessment might reflect the reality of strong emerging demand in the southern Mediterranean – this is where the growth will be, taking into account demographic and urban trends. This implies a very different framework for analysis of energy futures in the Mediterranean region. Second, it was suggested that a stronger involvement on the part of the European Commission in Desertec is indeed required. The private sector alone may not be capable of “making it happen.” But this also implies a European regulatory strategy favorable to initiatives of this kind, and the outlook for this is quite unclear.

Mediterranean Energy and the Transatlantic Policy Debate

The concluding session focused on overall observations and policy implications in a transatlantic frame. Clearly, energy is a public policy issue that touches on the lives of people in very concrete ways. But the energy policy discourse is driven by experts and practitioners, and high political officials, especially where large-scale infrastructure is concerned. To be sure, technical issues can be difficult to bring into the public debate. Energy conservation and energy efficiency are areas where a more participatory approach is possible and valuable. In terms of governance, the traditional top-down approach can usefully be augmented by a bottom-up approach giving greater freedom of action to local and regional actors. The renewable sector will be a key test for this, and regulatory reform may be a prerequisite.

Is a Mediterranean energy market or system emerging? In energy as in other spheres, it was argued that the Mediterranean is not a cohesive region in its own right, but rather an area in which different regions converge. What would an integrated Mediterranean in energy terms bring with it? Is the EU ready to think in terms of interdependence rather than greater independence? On the northern side, the idea of creating a single European energy market seems to be a distant prospect in its own right given the range of political and infrastructure impediments. The prospects for an integrated approach appear even more remote along the southern shore. In a transatlantic context, there continues to be a gap between American views of energy security, heavily driven by the perceived insecurity of imported oil, and the Euro-Mediterranean reality, shaped increasingly by access to gas. More distant regions will also matter. The rise of energy production in West Africa, and above all, offshore in Brazil, could alter the energy market in meaningful ways for Mediterranean producers and consumers. It could also be important for the wider economic and development outlook around the Atlantic basin, including food security. In sum, the Mediterranean energy system cannot be seen in isolation, and is, in fact, headed toward further globalization. Already, the Black Sea and the South Atlantic are integral elements in the Mediterranean energy equation. Ultimately, the rise of shale oil and gas production in North America could be just as meaningful for European and southern Mediterranean states seeking diversification in energy supply and lower prices. The implications for producers such as Algeria and Libya are less certain, and perhaps less positive.

Finally, to return to an issue raised early in our discussion, the presence of new energy consumers and investors, and new actors in the Mediterranean, will also affect the energy security environment. Some part of China’s emerging energy strategy will bear on Mediterranean producers, and Mediterranean supply routes. The same is likely to be true for India. Russia is already engaged as an investor and a stakeholder in the regional gas market. The US is present as a consumer of Algerian gas, and an investor in diverse energy projects, both conventional and unconventional, across North Africa and the Middle East. The Mediterranean energy scene is changing rapidly, and old assumptions about security of supply and demand need to be revisited. The overall outlook is increasingly tied to trends beyond Mediterranean shores, on the one hand, and in a narrower sense, tothe uncertain social and political dynamics within producing states around the Mediterranean.

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