The Solar Plan for the Mediterranean

The Solar Partnership Between Africa and Europe in the Shadow of Politics

By Kirsten Westphal

At the inaugural Summit of the Union for the Mediterranean in July 2008, 40 heads of government and state from the Mediterranean adjoining states and the 27 members of the European Union agreed, among other things, on the 'Solar Plan for the Mediterranean.' It was of particular importance for the Federal Republic of Germany and involves building solar power plants in the desert regions of North Africa and in this way supplying Europe with electricity. This solar plan can be an important pillar of an integrated climate and energy policy in Europe. It can contribute to a reduced dependence on energy sources that are harmful to the climate like coal, natural gas, and oil but also nuclear energy. The Solar Power Partnership could be an important building block for Europeans to achieve their climate targets.

Foto: AP

At the inaugural summit of the Union for the Mediterranean in July 2008, heads of government and states agreed on a solar plan for the Mediterranean.

The project of a Solar Partnership between Africa and Europe could develop into a global beacon, also in part because political, economic and ecological hopes are connected to it. The solar-partnership and therefore the plan to use solar power on a grand scale could be a model for other regions of the world.

A Great Idea but a Long Way to Go

This project signifies the move away from conventional carbon based energy systems in Europe but also towards a modernization of energy economies of North Africa. The longer-term vision should be that the North African States develop their energy system through their use of solar energy. In these countries the rural isolated areas are often energy poor, and firewood still serves as the most important source of energy and heat. It is hoped that the large solar projects provide a modernization surge, because not only a large financial but also a technology transfer should take place.

In this way the international negotiations towards a follow-up environmental treaty for the Kyoto Protocol of 1997 are highly relevant for the solar projects. The protocol allows German and European companies to earn carbon credits from the use of climate-friendly technologies also outside of Europe. These Kyoto-mechanisms like the Clean Development Mechanism could be used for technology and know-how transfer because they create incentives for companies to transfer new technologies abroad in order to earn carbon credits.

In addition, the solar facilities will be built in decentralized locations and therefore can also be oriented to supply the local energy requirements. One can hope for a modernization surge and growth that reaches out to broader sections of the population and is not only dependent on a paternalistic financial injection of the elites. The latter often only consider their own clientele. In the political sciences and in democratic theory discussions, economic growth and broad-based prosperity is seen as a necessary if not as a sufficient condition for democratization. It is not without reason that solar energy is seen as more 'democratic' than fossil fuels like oil and gas, which are often connected to authoritarian political developments.

It is exactly this that may be a stumbling block for the North African side with respect to the realization of this project. The North African States that border on the Mediterranean Sea also possess rich oil and gas reserves. Their control lies firmly in the hands of the elites. This stems from the specifics of this economic sector, which requires few local workers, and is administered centrally. This is not without effects on the economy and on the political system. Academia has coined the term the 'resource curse.' The profits from the oil and gas production and the particular exports are only seldom used to develop other more labour intensive sectors of the economy. This is why the population seldom profits from the energy wealth of the country. The revenues serve the elites and help them to retain power, which is why a tendency towards authoritarian regimes can be observed in energy rich countries. The fact that the exploitation of fossil reserves is done through state and multinational companies and that really very few local workers are needed assists opacity and corruption. The resources are exported in order to achieve maximum profits. The envisaged Solar Partnership with (North) Africa could undermine this arrangement. It is plain that in the solar power partnership with (North) Africa there is still a lot of wishful thinking going on. It is difficult to see as yet who the players will be in the partnership between Europe and Africa, and what the mix of public-private financing will be in the realization of this project.

Up to now only a feasibility study has been agreed on, because there are a lot of unanswered questions with respect to this large-scale project. How large is the interest of the state elites in solar power given that they can live very well from the exploitation of fossil fuel resources? Which local partners are reliable, in order to realize technology and know how transfer? The installation of solar power stations is in foreign territories – which legal framework would be found for this?

Next to the political questions, there are new kinds of technological and economic challenges that must be mastered. For example, the questions of transferring generated energy over long distances and borders are central. (Please see Article from Daniel Schäfer, and from Peter Winker and Christoph Preußner). Even if the realization of this project is politically desired, it still needs the support of private companies. These will require enormous state incentives or effective public-private partnerships in order to come up with the finances. The fact that the development and new construction of electrical networks in Europe will largely be trans-border would require a concerted and multi-lateral project realization of the member countries and European energy companies. It would also require a common energy and foreign policy of the EU. However, the 27 member states are far away from a common energy policy and the word-

The parabolic trough power station in Andasol in Andalusia near Guadix, in the province of Granada is currently under construction.

Foto: Frank Schüssler

ing is being hotly negotiated at present so that in the best case, only a minimal consensus will be achievable.

European Wishes and European Realities

Aside from the political and economic boundary conditions in North African States, that will play a key role in the realization of the project, there is also no clear go-ahead for clean electricity from Africa in the European Union. Instead, in the past the member states of the European Union have always had a hard time creating an effective and broadly positioned energy policy.

Großkrotzenburg – a coal power station

At the start of the European integration, with the foundation of the European Coal and Steel Community in 1951 and EURATOM in 1957 energy was the central issue. However, in the more recent past many attempts to create a common energy policy at the EU level with far reaching competencies for Brussels have turned out to be extremely difficult. Already the Treaties of Rome in 1957 did not include a separate energy chapter; the same is true for the Maastricht Treaty of 1993 as well as the Treaty of Amsterdam from 1997. This is all the more remarkable since the domestic market regulations have in the meantime fundamentally changed the situation.

Initially, a domestic European market for energy was not even included in the Single European Act of 1986, but when it became clear how much the domestic market legislation would affect the energy market, a decision was taken to liberalise the electricity and gas markets as well. The electrical and gas networks were to be opened for all suppliers and would be licensed. This was a first step towards privatization, de-monopolisation and de-regulation, which concluded with the step-by-step liberalization of the electrical (1997) and gas markets (1998). The final liberalization was to follow in 2007.

Since the decision in favour of a common liberalised domestic market for oil and gas was taken, no area of politics has received as many blows as the energy policy. Regional and global developments contributed to this. In the regional context, the Russian-Ukrainian gas crises of 2003/2004 and 2009played a profound role, because it really shocked European states to be faced with supply shortages and made them question the reliability of Europe's biggest gas supplier, Russia.

On a global level, it was mainly the enormous price increases of oil and gas, which had shaken the global energy supply since 2002. The reasons for this are many and also of a political nature. A significant narrowing on the world markets can be recognized, which is to say that the increasing demand, driven by China and India's hunger for energy, ran into smaller production and refining capacities. Seen politically, this situation has led to a shift in power because the energy rich countries are increasingly confident because they know they control a very desirable product. Energy supplies are thus not purely a product but also a strategic product and a political tool. The EU as the largest energy net importer of the world is hard hit by these changes. Until now, the EU with over 500 million consumers in 27 member countries has not been able to effectively translate its market power.

The EU – An Ineffective Market Power

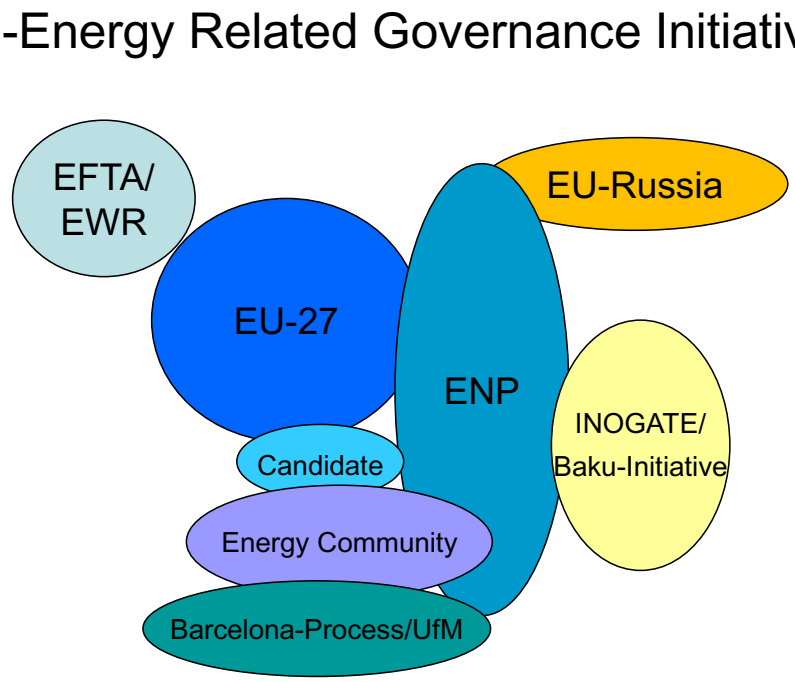
Actually, one can argue that the EU is in a good position with respect to the world energy markets because it is the largest domestic market for energy worldwide and is thus an attractive destination and head office for energy companies. But the domestic fossil fuels are dwindling and the EU will increasingly be dependant on energy im-

ports from abroad. The dependence on all imported energy is 50 percent today, and in all likelihood will rise to 65 percent in 2030. In the case of gas it will rise from 57 percent to 84 percent and with oil from 82 percent to 93 percent. With these increases the risk of a much greater dependence on the policies and the developments in Russia and the Middle East grows.

Besides, one must recognize that with respect to the translation of this market power the EU has gotten stuck half way through. The goal to establish a functioning competition in a liberalized domestic oil and gas market has not really been achieved. The German energy market provides an eloquent example – the electricity market is dominated by an oligopoly of four large companies: E.On, RWE, EnBW and Vattenfall. Genuine competition does not take place because these companies control the electrical networks. Only massive pressure from the Brussels Commission managed to untangle the production from the networks and has led to new models now being discussed in Germany.

Germany is not the only example. The strong pressure from Brussels to establish competition has resulted in defensive reactions by many member states that have prevented foreign takeovers of energy companies. 'National Energy Champions' are seen as necessary tools for many member countries. These are seen as necessary to survive in the European but particularly in the global market and to secure the national energy supply. This is how European joint initiatives are undermined by single states going it alone.

As a result, neither has one succeeded in creating a truly European energy market nor in formulating a common energy policy. The energy policies of each national state are individual. It is clear that up until now it has not been possible to achieve a consensus among the 27 member states. There is no consensus on how to regulate the EU-energy market, or how to arrange the relationship of state interest and private company strategies. Up to the end of the 1990s the security of the energy supply lay in the hands of the state. With deregulation, denationalization and privatization in the energy sector the framework for the energy sector



Energy questions are focal points of several, often overlapping, political initiatives of the EU.

has fundamentally changed. At the moment, it can be observed that the member states, as well as the Commission, are reorganizing the re-regulation competencies with a view to competition and networks but also to secure the energy supply. The approaches in the EU-27 are as manifold as the differences between the national energy systems with respect to their energy-mix and infrastructure. All of this is of central importance to the envisaged solar-partnership between Europe and Africa.

Change Begins at Home

Since the Green Book of the EU for Energy Security from the year 2000, and more so since 2006 and with the energy package of 2007, the Commission has been trying to bundle competencies in energy policy in Brussels. The resistance of the member states is significant, especially because the lobbying power of energy companies is enormous. They want to keep their protected positions in their home markets as long as possible. For the first time in the history of the EU it has been possible to include an energy chapter into the (failed) constitution and into the Lisbon Treaty. However, in truth the wording in the treaty is extremely diluted and does not really create a basis for a common energy policy.

In the face of the increasing clout of the energy producers and the growing competition for dwindling fossil fuel reserves, but first and foremost because of the significant interconnected energy and climate challenges, a coordinated and uniform policy of the EU-27 would be required for the coming challenges. This applies to a solar partnership with Africa as well.

With respect to a solar partnership with Africa the EU has a set of instruments at its disposal albeit without the required funding. The newly inaugurated, in July 2008, Union for the Mediterranean is just one forum in a series of institutionalized contacts, which could contextualise this project. The Mediterranean Union does not have

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sufficient financial resources, which would have to be provided from the budgets of other EU areas like the so-called Barcelona Process. The latter was developed in the 1990s to develop relations between the EU and a number of Mediterranean countries. Since 2004 there is additionally the European Neighbourhood Policy. In the context of the European Neighbourhood Policy, bilateral plans are negotiated with neighbouring countries to the East and South in which questions of energy are given much consideration. The goal is to build a solidary energy community based on international law, free market competition and energy transit. In the long term, it actually seeks to export the EU domestic market with its principles of solidarity and competition, and with it parts of the „Acquis Communautaire", the common body of EU law. In the mid-term the goal is to regulate and harmonise the energy markets step-by-step as well as develop energy infrastructures. This is a worthy and promising goal because a functioning large regional energy market is not just a precondition for economic prosperity but also a central element for stability and security in the region.

A glance backwards at the EU domestic market lays bare the glaring weaknesses of the political realization. As long as national egos dominate, not only will common energy foreign policy be weak, but also the arrangement of the domestic market will be inadequate. Both depend on one another and lead to a dead end that blocks developments in both directions. Solidarity of the members in the market requires functioning trans-border electricity and gas networks that provide energy in the case of shortages or blackouts. Up until now border crossing trade is marginal. As long as the European domestic market does not work, the national point of view remains the dominant one. What is missing is joint European thinking and with it the political will, to bundle political and financial resources.

A large-scale project like a solar partnership with Africa is a joint venture not only between two regions, but several nations and many companies. For this to be realised a clear context and the provision of enormous financial resources are required, not just from the private sector but also and especially from public bodies. Today, Brussels only has dull tools at its disposal. In this way the envisaged partnership with Africa is desirable also with a view to a functioning energy market in Europe. It assumes and urges the creation of functioning networks and common regulation mechanisms. One can only hope that this project will not get stuck in a double dead end, because the global climatic and energy political challenges are too urgent. The EU-27 should clear the way for this project. •