

SIDE-EVENT

THE EURO-MED
ENERGY CONTEXT
IN THE LIGHT OF
THE RUSSIAN-
UKRAINIAN
CONFLICT

INVESTMENT NEEDS AND FINANCING
OF INFRASTRUCTURE COMMITTEE
MEETING

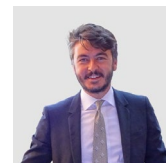
JUNE 13-14, 2022
Via del Quirinale, 26 – Rome, Italy



SIDE-EVENT
SUMMARY

Rome, 13 - 14 June 2022 – Within the framework of the Investments Needs and Financing of Infrastructure Committee, the OME organized a Debate on “The Euro-Med Energy Context in the Light of the Russian-Ukrainian Conflict”, kindly hosted by Edison on June 13, in Rome, Italy.

The event, greeted by **Simone Nisi** of Edison and introduced by the OME Chairman **Lapo Pistelli**, with the participation of the President of the Parliamentary Assembly of the Mediterranean (PAM) **Gennaro Migliore**, brought together OME Members and experts to discuss cooperation, development, and energy transition in the Region, at a time when recent developments in the Russian-Ukrainian conflict contribute to heightened international tensions and insecurity, with direct repercussions at the energy level. In this context, the Euro-Med area has a chance of seizing the moment to strengthen its ties to face future energy challenges.



Simone Nisi
Edison

Lapo Pistelli
Eni



Gennaro Migliore
PAM



SUMMARY



Considering the current international situation, timing and topic couldn't be more accurate, noted Edison's Director of institutional Affairs **Simone Nisi**, since the Russian invasion of Ukraine prompted Europe to start diversifying away from Russian gas. "Now that energy diversification and cooperation are at the top of the institutional agenda, European and Southern and East Mediterranean countries have a unique opportunity to foster energy collaboration by building new bridges, leveraging our partnership and jointly developing effective solutions for the energy transition," stressed Mr. Nisi in his welcoming remarks.

OME's Chairman and Eni's Director of Public Affairs, **Lapo Pistelli**, pointed at the need to realign the conversation between the two shores of the Med. History has shown that the destiny of the Mediterranean countries is closely interlinked. It is therefore necessary to align the pace of energy transition and technology cooperation, within a harmonized and collaborative regulatory framework, to enable common socio-economic development and business-to-business cooperation to speed up the transition process on both sides with ambitious realism.

In light of recent geopolitical developments, geography is an undeniable plus for Italy, underlined Mr. Pistelli. In the past, being a southern European country was in a certain way an obstacle. Today it is clearly an advantage. Not only is Italy strategically located in terms of alternative natural gas supply routes to Russia. But it can also become a European green energy hub. "We can see that the European Commission is listening to Europe's Mediterranean and African countries more closely to understand how we can tackle together the issue of the energy mix", stressed Mr. Pistelli.



The President of the PAM **Gennaro Migliore** thanked OME for the invitation to participate in a debate that he deemed of utmost importance given the urgency of the situation. The Mediterranean and the Gulf regions are at the turning point from an energy perspective, also considering the food-related consequences that "the Russian aggression against Ukraine is having, especially to the detriment of the more fragile MENA countries". New explorations, new pipelines, and LNG terminals, as well as alternative energies should be discussed with sense of responsibility to find a common ground, looking at the energy as a tool for cooperation and not division.

Partially replacing the 155 billion cubic meters (bcm) per year from Russia with natural gas from the MENA region will not be easy for the EU. Especially considering the infrastructure limitations and the imperative to achieve the energy transition in the meantime. **Sohbet Karbuz**, Director of OME's Hydrocarbons Division, noted that the share of South Mediterranean gas in the EU's supply is 13% – but the amount could increase, from over 45 bcm last year to almost 80 bcm within the next five years and 2030, simply by investing and reactivating dormant projects. On top of that, if Azerbaijan is included, export capacity toward the EU could almost double from 55 to 105 bcm a year. "Reserves are not a problem," stressed Mr. Karbuz, "but we need cooperation and a more investment-friendly environment for these regions."





Laurent Ruseckas, Executive Director at S&P Global, described the EU’s REPowerEU package as an effort to address the Russian gas supply crisis while also taking advantage of the crisis to accelerate the pace of decarbonization by going beyond the ambitious goals set in 2021’s Fit for 55 Plan. “If all the REPowerEU targets were met in full - and this would appear to be impossible - Europe would be able not only to phase out Russian gas but to dramatically decrease overall gas demand by 2030.” But he emphasized that some of these targets are unrealistic, for instance those related to biomethane and hydrogen. The ambitious hydrogen targets in REPowerEU, Ruseckas added, could perhaps be met by 2035 but not by 2030. In any case ensuring that all new gas infrastructure in Europe is hydrogen-compatible will be a critical priority.

Kamel Ben Naceur, 2022 SPE President, introduced the High-Level Panel stressing how the Mediterranean region is one of the most affected areas by the effects of climate change, also recalling the importance to guarantee access to energy for all, as a precondition of socio-economic development. In this regard, investments in infrastructure are essential both in the sending and receiving sides, and to guarantee the financing of such projects long-term contracts have to be considered.



Silvia Pariente-David, consultant, and former Senior Energy Specialist MENA at the World Bank, underlined the exceptional potential of the region in terms of renewable energy sources, thus supporting the decarbonization process, in particular through production of green hydrogen. European natural gas demand will eventually decline and possibly wane completely as the transition progresses, stressed Mrs. Pariente-David, but natural gas pipelines might be repurposed for hydrogen transport, and additional gas transport infrastructure might even be needed.

Confindustria Energia (the Italian Federation of Associations that represent over 600 companies of the energy sector) Vice-Chair **Roberto Potì** also confirmed that blending methane and hydrogen is the way forward - and that it’s best to start early with infrastructure investments, as “changing infrastructure to transport molecules will require time and money.” Not only is it crucial to give industries time to adapt, but it is also necessary to figure out the best option, including whether it is more cost-effective for companies to rely on hydrogen transported by pipeline or if it will be better to move green hydrogen production on-site by installing electrolyzers on industrial sites.

Mr. Potì recalled also that Confindustria Energia has developed over the last few years Studies on primary energy infrastructures, evaluating the overall investment plan and the related economic impacts, environmental effects and social aspects of the national system. In particular the last study edition (2020), in collaboration with OME, analysed the opportunities of energy cooperation in the Mediterranean Region and reported the need of 1900 B€ investments in the Region within 2030, 900 B€ for the energy sustainable development in the South and East shores of the Mediterranean. “Italy, - he said - thanks to its geographical position, the historical presence in the Region, its energy model based on renewables and gas, can promote a Euro- Mediterranean Green Deal”. The Italian gas transport system, the most extended in Europe, is already interconnected with the North Europe through 60 bcm connections and with Mediterranean countries through three main existing pipelines (54 bcm). Furthermore, three terminals assure the regasification capacity of ab. 15 bcm/y and 18 bcm of gas storage capacity are available. In this context, Italy with its integrated energy system (EU-Mediterranean area) can play a crucial role for the security of supply and energy diversification in a context where Russian-Ukraine conflict has major implications on the energy landscape in Europe.



Paolo d'Ermo, Secretary General of WEC Italy introduced the Round Table on how the Mediterranean region could meet new EU energy needs. Focusing on the international gas market framework, where LNG is gaining momentum making the market more and more liquid, panelists questioned the opportunity for the Mediterranean to leverage this trend in order to better diversify energy needs.



Matteo Restelli, Director of Gas Infrastructures Development at Edison, stressed the importance of natural gas as part of the energy mix for the Mediterranean countries to support energy transition, and the importance of building energy bridges between the two sides of the Basin. According to Mr. Restelli building cross-border infrastructure is essential to reduce exposure to volatile markets.

For **Julia Cincinatis**, LNG Origination at SHELL, the Russia-Ukraine conflict is triggering worldwide spillovers through commodity markets, trade, and financial channels. Fuel and food prices have increased rapidly, with vulnerable populations - particularly in low-income countries - most affected, and the need of investing in infrastructure to stabilize the market becomes more urgent. In this context, long term contracts are expected to play again an important role.



Adel Ben Lassoued, Director of Finance and Accounting at STEG, expressed the views of a North African country like Tunisia. A country dependent on natural gas supplies from Algeria that is looking at the massive development of renewable energies - whose financing needs more support from the international community - and at building the electrical interconnection with Italy.

From Morocco's perspective, **Khalil Lagtari**, Director of Participations, Partnerships and International Projects at ONEE, emphasized the country's extraordinary potential in renewable energy resources and the importance of cross-border electricity interconnections to optimize regional and sub-regional trade and investments, also looking at the sub-Saharan western countries in terms of power systems integration with and through Morocco.



In this context, Paolo d'Ermo remarked that the new EU Agenda for the Mediterranean offers opportunities for new partnerships on strategic priorities of green and digital transition and is based on the conviction that sustainable prosperity and resilience can only be built in strong partnership across the Mediterranean. In this respect, the lack of traction of the Euro-Mediterranean Partnership in the last few years call for a renewed engagement of the European Union and the South and East Mediterranean countries.

CONCLUSION



In conclusion, **Houda Ben Jannet Allal** thanked all participants and recalled that the Euro-Mediterranean area must take advantage of this painful crisis by turning it into an opportunity to strengthen its ties and address current and future energy challenges on a just, inclusive, and cohesive basis, with due realism.

The Mediterranean region has been and will remain crucial for Europe, contributing to the diversification and security of Europe's energy supply. Countries on both sides of the Mediterranean have the opportunity and responsibility to build a new model of energy security by achieving decarbonization goals through the development of resources and technologies. Energy security and energy transition must proceed hand in hand, and to this end, the regional energy system must undergo fundamental restructuring and redesign to provide the necessary level of decarbonization and succeed in its energy transition, with its associated challenges and multiple opportunities.

There is a clear need, more than ever, for strong relationships and partnerships and closer cooperation. For more than 30 years, OME has been actively engaged in regional energy cooperation through its constituency and mission as a platform for dialogue between companies, policy makers and authorities. The OME continues to remain actively engaged in fostering dialogue on such highly topical issues as energy transition and energy security in the region. In the end, the success will, more than ever, depend in large part on the strengthening of partnership and closer cooperation among all stakeholders

