

EUROMESCO BUSINESS PLATFORM

THE GLOBAL GATEWAY, A NEW PARADIGM FOR RELATIONS BETWEEN THE EUROPEAN UNION AND ITS PARTNERS IN THE MEDITERRANEAN AND BEYOND

Madrid, 9 October 2023

Report

Introduction

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Irene Lozano, Director of Casa Árabe, and **Senén Florensa**, Executive President of the European Institute of the Mediterranean (IEMed), introduced the session as host and organiser of the event respectively. They recalled the objective of the meeting, i.e. exploring the Mediterranean dimension of the Global Gateway, the originality of its format (gathering experts,

policy makers and business representatives) and contextualized the discussion. The Global Gateway was [launched](#) in December 2021 with the objective of building sustainable and trusted interconnections between the EU and other regions of the world, while addressing the most pressing global challenges, including climate change.



Setting the scene





The Chair of the debate, **Emmanuel Cohen-Hadria** (IEMed), opened the debate arguing that it would fill a gap in the debate on the Global Gateway, which had not focused enough on the Mediterranean region so far.

María Lledó, Secretary General for the EU of the Spanish Ministry of Foreign Affairs, European Union, and Cooperation (MAEUEC), agreed that the Global Gateway had the potential to be a new paradigm for Euro-Mediterranean relations, as suggested by the title of the session. The geopolitical situation makes the deployment of the Global Gateway even more strategic and important. It is not only instrumental in developing large scale infrastructure projects, but it is also a pivotal instrument to contribute to sustainable development goals, accompany the green transition and contribute to develop sustainable and resilient economies of EU's partners. The EU's concern to mainstream good governance distinguishes the Global Gateway from other initiatives.

She provided an update on upcoming events, both in terms of the broad Euro-Mediterranean agenda and of the implementation of the Global Gateway. Despite a difficult regional situation, the MAEUEC works with its partners towards organising two events in Barcelona in November 2023, the EU-Southern Neighbourhood Ministerial and the Regional Forum. The business advisory group of the Global Gateway was created in September 2023 with the objective to assist the European Commission in promoting co-operation with the European private sector and scaling up Global Gateway flagships. In parallel, flagship projects for 2024 are being identified. On 25-26 October 2023, a Global Gateway Forum will be organised in Brussels, bringing together public and private stakeholders to discuss issues relating to global investments in infrastructures.

Andrea Tinagli, European Investment Bank (EIB) representative to the Union for the Mediterranean, provided a briefing to participants on the EIB's approach to the Global Gateway. The Mediterranean region is a priority for the EIB, which in-





vested more than €3bn in EU's southern neighbourhood since the Russian invasion of Ukraine. The EIB is not a new-comer to the region. It has been operating there for more than 40 years, with more than €20bn of financing over the last decade, and a constant increase of this support through many channels.

However, the Global Gateway is a game changer and a new departure in terms of how the EIB works with its partners. The EIB has increased its cooperation efforts

with all its partners, including with the European Commission, through a direct presence in EU Delegations in the region and an enhanced cooperation with development partners and member states. It has increased staff capacities in its local offices. The EIB has committed to deliver a third of the EU's pledge to mobilize €300bn under Global Gateway projects. By the end of 2022, the EIB already delivered €7.4bn of financing under the Global Gateway, facilitating a total investment of €31bn.



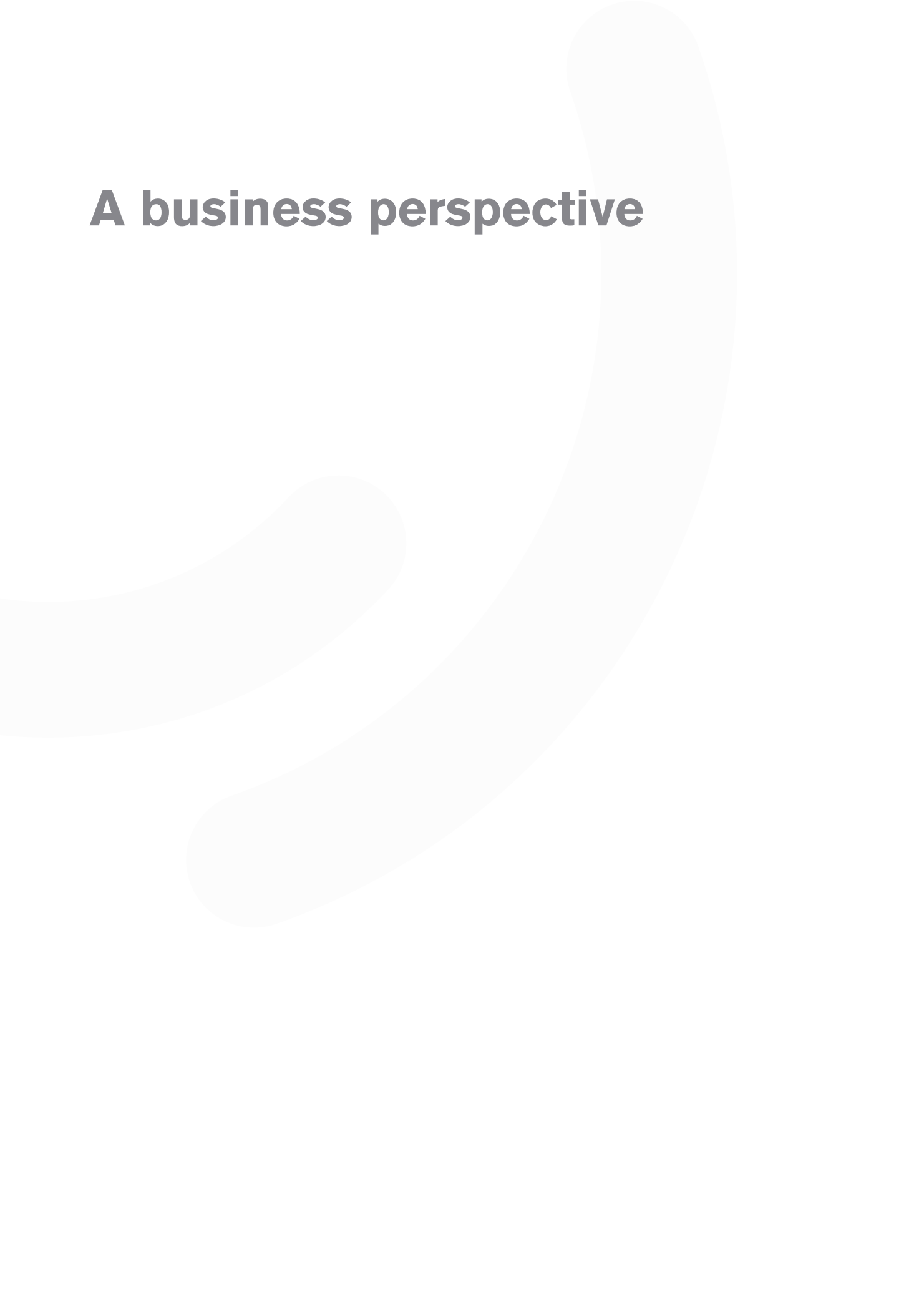
The Global Gateway relies on win-win partnerships between the EU and its local partners. It is implemented through a Team Europe initiative and focuses not only on hard but also on soft infrastructures. It indeed aims to improve the business environment in critical sectors, through a combination of investments, policy dialogue and advisory services, for the benefit of long term and sustainable development. Improving the quality of life of citizens and social opportunities for all is underlying all efforts of the EIB.

Andrea Tinagli provided three examples of projects to illustrate how the EIB directly impacts the quality of life of citizens in the region in the field of education, digitalisation and water: the building of primary education infrastructure in Tunisia with innovative equipment and transportation facilities, the high speed fiber optic cable connecting Northern Africa to Europe and the desalination plant to bring drinkable water from the red sea 450km North to Amman,

possibly in 2028. This project, with a total cost of €3bn, would supply 300mn cubic litres of water per year and create 4000 jobs during the construction phase foreseen to start in 2024.

The Global Gateway is instrumental in speeding up investments against a critical economic and dramatic environmental situation in the region. While the Mediterranean is warming up 20% faster than the rest of the world, investments that would result in cutting CO₂ emissions are most needed. However, with the increase of energy prices, a growing inflation and food insecurity, an unstable security and political context, investors need to be encouraged to mitigate uncertainty. The Global Gateway should contribute to improve the regulatory environment and good governance, but also offer direct guarantees to multilateral development banks and other actors through the European Fund for Sustainable Development Plus ([EFSD+](#)).

A business perspective

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John Karydas (Chief Executive Officer, Renewables, Copelouzos Group), **Norman Albi** (Chief Executive Officer, Barcelona landing station, Medusa Submarine Cable Systems), and **Adel Ben Lassoued** (Representative Director of the Société Tunisienne de l'Electricité et du Gaz -STEG-) presented three of the Mediterranean flagship projects from the perspective of their respective companies.

The **GREGY project** consists of an electrical interconnection between Greece mainland and Egypt without any intermediary landing points, an idea that the Copelouzos group designed in 2008. The route of the submarine cable, bypassing Crete, has been carefully designed taking into consideration commercial, technical and geopolitical parameters. The interconnection will transport green energy from Egypt to Greece and through Greece to the rest of Europe. The interconnection capacity is 3,000 MW, with a bidirectional transmission. Its length is of 954km. The estimated budget is €3.569bn. The preliminary technical and feasibility studies of the project have already been conducted and the final feasibility, technical and environmental studies will be ready next year. The project has been included in the Ten-Year

Network Development Plan (TYNDP 2022) of ENTSO-E and is a candidate for inclusion in the 6th Project of Mutual Interest -PMI- list. GREGY has been included in the 2023 list of Global Gateway priority projects of the EU. The official announcement is expected on 26 October 2023. A ratification decision by the Council of the EU and by the European Parliament will be needed. The construction is expected to last 3.5 years upon the Final Investment Decision.

The GREGY project is expected to contribute to the EU's objectives under the green transition. Partnering with neighbourhood countries is key for EU success in this regard. It should help countries enhance their efforts in moving away from their dependence on energy produced from fossil fuels and natural gas. According to estimates, it could replace up to 4.5bcm of natural gas and CO₂ emissions by 9-10 tonnes annually. Greece is expected to reinforce its position as an important hub of green energy in Southeastern Europe and the Eastern Mediterranean and improve the reliability, the stability and security of its supply.

A range of social, economic and business benefits are also expected from this project





for Egypt and other countries. The Cope-louzos group will also invest in the development, construction and operation of renewable energy projects with a total capacity of 9.5GW in Egypt (6GW of wind and 3.5GW of solar parks).

The ELMED project consists of installing a submarine cable with a 600MW capacity interconnecting Tunisia (Mlaaba) and Sicily (Partanna) for an overall cost of

about €850mn. This project is expected to be commissioned in 2028. It will bolster the electrical interconnection capacity within the Euro-Mediterranean system. 50% of the financing is expected to come from the Italian side (TERNA) and 50% from the Tunisian side with the support of various multilateral institutions and development agencies. A grant of €307.6mn has been secured from the "Connecting Europe Facility".

The ELMED Interconnector will be Tunisia's first power link to the EU. It will facilitate green electricity exports to the EU and imports. It is expected to provide an incentive for boosting Tunisian decarbonisation efforts and regulatory reform, attracting private investments and simplifying electricity trading. It will contribute to diversify Tunisia's energy sources, stabilize its power supply, reduce the cost of energy production with the integration of renewable energy in the energy mix and help stabilize electricity prices. By 2030, the objective for Tunisia is that renewables should represent 35% of its energy mix and under the Paris agreement, Tunisia has a zero-carbon objective for 2050.





Unlike GREGY and ELMED, the **MEDUSA project** is a submarine fiber optic cable that will transport data rather than energy. This cable will be one of the 500 data cables that cross seas and oceans. The lifetime of a submarine cable is estimated at about 25 years, which calls for the need to regularly replace the infrastructure. This project, whose construction phase has already started, will connect North Africa with Southern Europe, Northern Africa with Northern Africa and Southern Europe with Southern Europe.

AFR-IX Telecom has been active in the African market for more than a decade. The MEDUSA project was born from the assumption that North Africa was underserved given its role and its potential. North Africa, whose population is 15% of the African population, and whose GDP is 30% of the African continent, generates more than 40% of the international internet traffic in Africa. 100% of the traffic generated in North Africa goes to Southern Europe since no content is hosted in North Africa.

MEDUSA is a private investment initiative, funded by customers, i.e. North African

telecommunication operators, in Morocco, Algeria, Tunisia and Egypt. It is a €350mn investment. Some of the local customers have already obtained grants, including Tunisia, or are likely to obtain grants in the near future. The EIB has provided a €100mn facility to the project. MEDUSA is a flagship under the Global Gateway. MEDUSA will also benefit from a €40mn grant from the European Commission that will be used to leverage the MEDUSA infrastructure to connect research and education networks in the region.

An agreement with Telecom Egypt was signed in October 2023. MEDUSA is now available in the three stations of the red sea. With this investment, Egypt continues to reinforce its position as an ICT hub, which will need to be complemented by further investments.

The project should also address the fallout of the recent natural disaster in Libya, that resulted in the submarine cables between Derna and Crete and the related land stations being washed away, with the objective to reestablish interconnectivity with Eastern Libya.

Debate

A lively debate followed the presentation of these three projects.

Two participants intervened on behalf of Mediterranean associations, MED-TSO (Mediterranean Transmission System Operators) and MEDports.

The Secretary General of MED-TSO first stressed that the EU's energy transition could not be designed in an isolated way. The EU's domestic efforts should be paralleled with significant efforts to accompany the transition of its southern neighbours. Therefore, the Mediterranean should be an absolute priority of the Global Gateway.

Despite its energy potential, the region is still characterized by market fragmentation, a lack of sound regulatory frameworks and of a sound climate for investments. In this context, the integration of power systems is of paramount importance. Interoperability is hindered by a mix of technical, financial and regulatory barriers. Hardware is not sufficient. Working on the software and setting rules for guaranteeing interoperability should be a priority. MED-TSO promotes multilateral cooperation by trying to foster investments, defining common rules, working on capacity buildings and pilot projects focusing on trading electricity. Policies and regulations are still missing at the regional level.

On the financial side, tools are still missing to foster investments. Investments and rules are a chicken-and-egg problem. It is true that a lack of adequate rules makes investments less likely. However, it is also the real prospects for investments that creates

a sense of urgency, a pressure, to put regulatory changes on the agenda. In this context, the Global Gateway has indeed the potential to overcome some of these issues and to change risk perceptions.



The Secretary General of MEDport highlighted red tape and the lack of digital procedures in some ports as key challenges impeding smooth interconnections and trade, from the perspective of Mediterranean ports. Over the last years, inter-regional trade has been growing a lot and countries such as Morocco and Turkey have benefitted a lot from the desire of industries (in sectors such as textiles, automotive, agrifood) to bring manufacturing sites closer to European customers, although a risk exists that in some cases operators may be tempted to avoid the Mediterranean route. The energy transition should also become an opportunity for intensifying interconnections in the Mediterranean and for Mediterranean ports to become major hubs of alternative energy sources. A growing number of vessels are

already running on hydrogen, methane, or ammonia. For Mediterranean ports, presenting China, a major trade partner, as a threat, is counterproductive.

Participants from South-Mediterranean countries agreed that the Global Gateway has the potential to be a new paradigm in Euro-Mediterranean relations. For a country like Egypt, the Global Gateway presents many advantages. The EU is the largest partner of Egypt. With international financing institutions and Gulf donors agreeing that there could no longer be blank checks for Egypt, Egypt has no choice but to open up. Egypt needs to urgently accelerate reforms, attract investments that would not

be coming from military institutions, learning from the mistakes of the past (including the nationalisation of the private sector in the sixties). Egypt must offer perspectives for a growing population (+2million per year) while fighting brain drain. In this context, the Global Gateway is very timely. It can help Egypt become an energy hub, and seize the potential of a very diverse economy that is not dependent on fossil fuel. Another participant also stressed that the Global Gateway has the potential to be a new business model in the region, with a focus on joint ventures and blending finances focusing on convergences and symmetric interests between the EU and its partners.



In the course of the debate, the following points were also made and discussed:

- The importance for the EU to streamline strategic communication into its global

gateway effort. Polls had shown that in Albania, and the same was said to be true for other countries around the Mediterranean, people are not familiar with the importance of European in-

vestments in the region and think China is the largest investor. Other participants asked that the EU should better communicate on how flagship projects are identified and selected. A participant representing a regional Mediterranean transport organisation asked specifically if transport infrastructures in the South of the Mediterranean could be financed under the Global Gateway, a long-time demand from southern Mediterranean countries.

- Along the same line, it is important to also communicate on the fact that not only large companies benefit from flagship projects. The Global Gateway also has benefits for SMEs. The need for more transparency and more clarity when communicating about the Global Gateway was also stressed, especially towards Southern Mediterranean countries that should be better informed about the opportunities for them. Lastly, efforts should also be made to better communicate about the link between the Global Gateway and the just transition.



- The importance of credit guarantees was discussed. It was argued that the promotion of partnerships with the private sectors and of investments was not such a new idea in Euro-Mediterranean relations. The novelty is rather the



scale and the level of credit guarantees under EFSD+. The EIB representative further explained the multiplier effect of de-risking loans through EFSD+, addressing both market and political risks. Under EFSD+ there are different windows targeting different categories of actors, including private sector and development agencies. Some participants wondered whether there were sufficient mechanisms in place, pointing to the absence for instance of export guarantees mechanisms, in the form of insurance, which could create demand for European SMEs, especially in the service sector, that now largely stay away from difficult areas. The representative of the Medusa project argued that what would really make a difference to his project is not export guarantees but rather a guarantee mechanism for customers.



- Another participant argued that the real novelty was the fact that the Global Gateway was framed as a Team Europe initiative. However, the definition of Team Europe is still too narrow. The effort to identify and pull what member states do in third countries is still insufficient and all member states do not have a clear picture of what their respective private sectors do in the region. The EU should also communicate better about how the private sector can benefit from the Global Gateway label.



- The Global Gateway is often branded as: as a value-based initiative, distinguishing the EU from other large global investors. However, the mechanisms ensuring that values are effectively taken into account in the Global Gateway are not clear enough. It is still difficult to grasp how a project supported by the Global Gateway supports those values. The importance of social and environmental impact assessments in the selection phase of flagship projects was also discussed.
- The representative of a large multinational technological company shared its experience with developing 4 submarine cables, and while doing so in working with local telecom operators.

The Global Gateway would be a fantastic incentive to private investors who want to invest in the Mediterranean if it was to contribute to improve the regulatory environment.



- A participant shared the experience of his country, the United Arab Emirates, in advancing the connectivity agenda and in promoting trade with partners. Efforts of the UAE are not determined by geographical proximity with neighbours but by global opportunities and by the attempt of the UAE to position itself as a transit country worldwide.



