



First Pan-Arab Energy Trade Conference

Towards an effective regional cooperation in
electricity and gas trade among the Arab countries

Declaration of the Cairo Conference on Pan-Arab Regional Energy Trade November 6-7, 2019

Preamble

1. We, the representatives of the League of Arab States (LAS), the Arab Fund for Economic and Social Development (AFESD) and the World Bank Group (WB), met in Cairo on November 6-7, 2019 to address the challenges of creating a common market for electricity in the Arab countries. We reiterate our support to the vision of the Pan-Arab Electricity Market (PAEM) outlined in the 2017 Memorandum of Understanding (MoU), signed by 16 Member States¹ following extensive dialogue and consensus-building efforts led by LAS and supported by the World Bank. We confirm our commitment, in accordance with the MoU, to work together towards establishing the joint Arab electricity market.

2. Further, we are convinced that our joint action during the first Transitional Stage, over the period of 2019-2024 specified by the MoU, will be crucially important for the success of the PAEM operations. During this period, market committees and PAEM Secretariat shall be established to work with the Member States on implementing a transitional regional market design, focusing on identifying and expanding trade opportunities.

3. We also welcome the outcome of the Arab Ministerial Council for Electricity (AMCE) session in Cairo on November 5, 2019, which set in motion the ratification process for the PAEM agreements.

Conference Highlights

4. We are pleased to note that the Conference has presented compelling evidence of the following:

a) Regional commercial trade in electricity and gas is a powerful force for market integration and sustainable development, ultimately contributing to economic prosperity in the Arab Region.

b) The Conference reconfirms that the cross-border electrical interconnection infrastructure financed by the Arab Fund over the last 30 years in several Arab countries, and the interconnections set up by GCC countries, will support the operation of the Pan-Arab Electricity Market. We recognize that further cross-border investments are needed to unlock the full potential of commercial trade in the PAEM.

c) In the Arab Region, as in other regions, countries can benefit by increasing the integration of their power systems, such as economies of scale and other cost savings stemming from coordinated

¹ Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, the Union of the Comoros, the United Arab Emirates, and Yemen.

national expansion plans, greater reliability due to more optimal utilization of capacity reserves, enhanced security of supply and climate resilience through sharing of resources among utilities, greater utilization of low-carbon resources available in the region, and commercial trade opportunities for countries with significantly different electricity production costs. These benefits all support the fundamental energy transition in the region towards cleaner, more sustainable paths.

d) Developing integrated energy markets is an evolutionary process. Bilateral partnerships, and small groups of countries, within a region, can and should be encouraged to create power trading pools that later attract neighboring countries and advance the achievement of the PAEM vision.

The Role of Development Institutions

5. We see the role of the Development Institutions in promoting the Pan-Arab regional energy trade, including our own role, as follows:

a) The Arab Fund and other Arab Coordination Group (ACG) members will provide technical assistance to the key governing bodies of the emerging regional market, along with targeted support to infrastructure investment project preparation and financing for bilateral trade and beyond.

b) The World Bank Group, in partnership with the Arab Fund and other ACG members, will further utilize its significant experience in supporting regional integration initiatives. This requires deepening partnerships with regional counterparts, supporting countries to strengthen the financial and operational sustainability of domestic utilities and energy markets, pushing more strongly for private investments, and applying innovative financing mechanisms to attract capital from a more diverse pool of sources.

The Roadmap

6. We commit to cooperate in the following areas:

a) Implementing the initial market design:

- The transitional market design defined in the PAEM Governance Documents will serve in the first Transitional Stage (2019-2024) to achieve some of the benefits of regional trade, while allowing time for Member States to determine their best course of action to participate in the Pan Arab Electricity Market.

b) Piloting the regional pricing mechanism for commercial cross-border electricity trade:

- Launching the pilot program in 2020 with participation of all the PAEM Member States.

c) Building up the regional institutions for PAEM:

- AMCE Secretariat, an essential administrative body supporting the regional institutions, will review its possible role in carrying out the functions of the PAEM Secretariat in the first Transitional Stage of the market.
- LAS will continue its efforts to determine the best actions to be taken to form the proposed regional institutions, including the Transmission System Operators Committee (TSOC), the Advisory and Regulatory Committee (ARC), and the Regional Market Facilitator (RMF), and their staffing in accordance with and following the signing of the Governance Documents.

d) Advancing the preparation of specific investment projects critical for expanding regional trade:

- Identifying, prioritizing, and financing cross-border interconnection investments are critical to unlocking the trade potential; it is essential to focus on investment projects strongly backed by the respective governments. To accelerate the project development cycle and mobilize financing, regional and international financial institutions are encouraged to participate in these activities.
- Private investors are welcomed to enter the domains of traditionally public-led financing, such as high-voltage transmission infrastructures, in accordance with relevant global practices. IFIs should facilitate private investments through de-risking measures to ensure the bankability of projects.

Conclusions

7. We look forward to the start of the approval process for the General Agreement and the Market (PAEM) Agreement before the end of 2020 and their subsequent speedy signing by the Member States.