

In an attempt to boost diversification of energy supplies, the EU takes steps to secure gas from the Mashreq-countries and Iraq. An example of Brussels' new "energy diplomacy" in action.

EU eyes gas from Mashreq and Iraq

| by *Hughes Belin*

Europe took a small step forward in the race for energy resources on May 5 when it signed a political agreement for cooperation in the gas sector with the so-called Mashreq-countries (Egypt, Jordan, Lebanon and Syria) as well as Iraq and Turkey.

The idea is that gas from the Mashreq region and Iraq will be transported to the European Union while at the same time new routes will be established and the local energy sector will be developed. Benita

the future position of EU Minister of Foreign Affairs, as created by the Treaty of Lisbon. With Javier Solana, the EU High Representative, already out of the running, the prospects for Ferrero-Waldner are looking up.

Benita Ferrero-Waldner and her colleague Andris Piebalgs (Commissioner for Energy) visited Baghdad on January 31, where they discussed the possibilities of cooperation with the Iraqi Minister of Oil, Hussain Al-

Egypt, too, has decided to provide the EU with 2 bcm and to increase its gas production in order to supply the EU. Its market reforms should allow for an increase in the volume of gas exported to the EU.

Routes to Europe |

The central question is how gas from Arab countries can be transported to Europe. The newly established cooperation is intended to accelerate the construction of an Arab gas pipeline. The pipeline will be approximately 1,500 km in length and run from Egypt through Jordan, Syria and Turkey before joining up with the future Nabucco pipeline, which will have two segments going to both Lebanon and Iraq. The decision to build the Arab pipeline was made in December 2000 by the countries involved. It will have a total capacity of 10 bcm per year and be managed by two enterprises set up in January 2003 by the energy ministers of Egypt, Jordan, Syria and Turkey, the Arab Company for Transporting and Marketing Gas in Damascus and the Arab Corporation of Gas in Beirut.

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Ferrero-Waldner, the Austrian European Commissioner for External Relations, can be credited with this success of European "energy diplomacy".

Encouraged by the mandate given to her by the European Council of Ministers, she now intends to take a closer look at the EU's energy dossiers while simultaneously promoting her profile in the race for

Shahristani. They invited him to attend the meeting on May 5, which he accepted. He came with a promise to immediately supply the EU with 5 billion cubic metres (bcm) of gas and with the possibility of increasing supply to 30 bcm in the future. Thus, an EU-Iraqi strategic gas partnership seems to be in the making. With the Americans mainly interested in their oil, Iraqi gas is just a pipeline away for Europe.

Progress of the pipeline has been steady. The segment between El Arish (Northern Egypt) and Aqaba (South Jordan) was completed in July 2003. The segment between Aqaba and Rehab (Jordan) was completed in February 2006 and the segments between Rehab and the Syrian border and to Homs in the middle of Syria were completed in February 2008. Work on linking the north of Syria began in January 2008 and is scheduled to be completed in 2011, as is the link with the Turkish network. The link between Syria and Lebanon has already been established and the connection with the Iraqi network is expected to be operational in 2010.

Regional market |

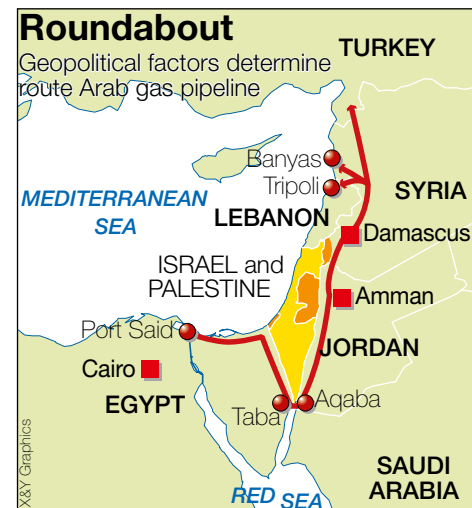
Recent discoveries of gas in the Mashreq region mean that a regional gas market is a real possibility that would serve both local interests and those of Europe. Diplomatic contacts between the EU and countries in the region give a clear indication of the positive influence that regional integration of the markets would have for these countries. They are ready to work with the EU in developing sources of renewable energy, in particular solar energy, as a way of freeing exportable resources of natural gas.

With this in mind, a Euro-Arab Cooperation Centre was set up in Damascus in February 2006 and was scheduled to run for nearly

three years. Its budget was €7 million (€6 million from the EU and €1 million from the other countries). At the meeting last May, the partners decided to extend this cooperation for at least three years and to institutionalise it by making it a legal entity. This allows it to generate its own funding as well as extending its activities to include electricity, energy efficiency and renewable energy sources. It was also decided to invite Iraq and Turkey to become partners.

The Centre is the focal point of a project dating back to 2003 that was intended to establish a gas market in Mashreq that would integrate with the EU market. A statement of intent, signed in Rome in December 2003. The cooperation would be based on the region's potential gas sources, the regional possibilities of transporting gas, the interest shown by economic players in developing the Arab gas pipeline and of course previously signed projects. The 2003 project itself consisted of three pillars: a gas roadmap, harmonisation of legislation and the exchange of knowledge.

Work on the gas roadmap has so far focused on the collection of technical data and gas market diagnoses in the participating countries. The focus will gradually shift on to the completion of initial data collection and drafting market reports for Egypt, Jordan, Lebanon and



Syria. Work will then begin on developing the financial and economic model and a survey on the network development will be prepared.

The harmonisation of legislation section focused on initial contacts with the relevant stakeholders. A training course on EU regulation was held in Egypt. Initial data collection will soon be completed and a report will be drafted on the current situation in each beneficiary country. The Centre will develop principles for the Euro-Arab Mashreq Gas Market.

The exchange of knowledge entailed establishing a training centre that devoted its first training session to EU Internal Market Legislation. Training on the EU Energy Market is to be delivered in Egypt, Jordan and Lebanon.

The meeting on May 5 stirred the project up a bit by providing it with new political backing. Iraq is now a key member. Turkey, too, is fully committed despite having previously blown hot and cold on the subject of energy cooperation with the EU. The objectives of integrating the EU gas markets and those of the Mashreq countries have been reconfirmed and the lifetime of the Cooperation Centre has been extended. The project now incorporates an interconnection with the Nabucco pipeline and integration of the Iraqi network with Mashreq and Turkey. ■

Partnership with Turkmenistan

European "energy diplomacy" does not stop with the Mashreq. On May 25, EU Energy Commissioner, Andris Piebalgs, signed a Memorandum of Understanding with Turkmenistan in the field of energy. This project was initiated in November 2007, when Piebalgs went on a two day official visit to Turkmenistan to discuss the possibilities of strengthening energy cooperation with the host government. Representatives from the European commission, Slovenia (which held the EU presidency) and France (which would take over from Slovenia), then met their Central Asian counterparts in Ashgabat on April 9 and 10 to move forward with the new EU/Central Asian partnership. At this meeting, Turkmenistan agreed to supply the EU with 10 bcm of gas per year via the Caspian Sea. Turkmenistan invited European companies to come and negotiate trade agreements and agreed to offer them access to new fields.