

Across Borders Cooperation

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Introduction

- ▶ Regional infrastructure development is vital to long-term economic development of the region. The right combination of country-based and transnational measures leads to outcomes that are superior to those achievable on the basis of national measures alone.
- ▶ Transnational infrastructure projects are critical, if nations are to forge close cooperative ties as each strives to realize its full potential in an ever more competitive global economy.
- ▶ Regional infrastructure facilitates trade, investment and information flows and the movement of people and trade within and among nations.

Introduction (cont.)

- ▶ In the process it helps expand and reshape regional development hubs, providing countries and their people with opportunities for economic growth and higher standards of living.
- ▶ Regional infrastructure projects should contribute and be part of a strategic approach to develop infrastructure networks of regional importance. The development of energy infrastructure (for electricity, oil and gas), for example, will ensure an adequate supply of energy, ensure the regions security of supply, and the necessary interconnection between the region and the neighboring systems.

Reasons for Networks

- ▶ Easier access to valuable markets (TAP concept).
- ▶ Jordan is a suitable market in its own right (AGP-phase 1).
- ▶ Diversification of markets by supplier.
- ▶ Reduce investment for reserves/back up options especially in electricity.
- ▶ Cheaper than shipping (even with transit fees).

Reasons for Networks (cont.)

- ▶ Increased energy security for all, especially for the importing/transit countries through diversification of energy sources and energy types.
- ▶ Reinforcing broader regional cooperation and political stability.

Risks of Networks

- ▶ Can be cut easily, but this risk reduces with the level of integration and diversity which increase the number of alternative routes.
- ▶ Integrated infrastructure is more complex to operate (esp. electricity), but well worth the complications (increased security and opportunities for trade).

Successful Regional Infrastructure Projects

- ▶ Natural gas pipeline from Egypt
 - The 260 km pipeline from El-Arish in Sinai (Egypt) to Aqaba (Jordan).
 - A 393 km, 36 inch transmission pipeline from Aqaba to the northern part of the country.
- ▶ Electric Interconnection Projects
 - Aims to connect the electrical networks in Egypt, Iraq, Jordan, Lebanon, Libya, Syria and Turkey (EIJLLST).

Challenges

- ▶ Building infrastructure requires significant resources. Resource mobilization is the most pressing challenge. So, how do we address the investment needs of developing the regional infrastructure?
- ▶ Design of strategic networks and project identification and prioritization, since, transnational projects have costs and benefits in several countries with asymmetric distribution of those costs and benefits.
- ▶ Harmonizing existing national policies.
- ▶ Evolving common principles for interconnection.

Challenges (cont.)

- ▶ Transnational projects operate in a qualitatively different environment from single country projects. A transnational project has multiple sovereign principles, complicating management and making it politically sensitive. Risks may be compounded by the existence of incompatible regulatory regimes and sector policies in the various countries involved.
- ▶ The transnational nature of a project immediately raises legal issues. Which country's legal rules will apply to the project? Will each country apply its own legislations to the infrastructure within its territory? What if rules differ significantly?
- ▶ Challenge to national governments is to give proper and balanced attention to both transnational and local infrastructure projects.

Addressing the Challenges

- ▶ Regional infrastructure strategies have to be developed as a framework for future design and implementation of projects in different sectors. These strategies will form the framework to promote regional cooperation among countries of the region, facilitate coordination between donors and allow prioritization of the regional infrastructure investments.
- ▶ Involve the countries of the region in effective regional coordination of infrastructure development, institutional strengthening, medium-to long-term sector policies and intensive sector and market reforms.

Addressing the Challenges (cont.)

- ▶ To deal with the regulatory challenges of transnational infrastructure projects, all countries must accept the principles that make integrated markets possible. In other words it is necessary to promote and ensure free trade in infrastructure services.
- ▶ A rigorous initial assessment of the environmental impact of the project, together with the observance of the most stringent standards to counteract environmental damage or disturbances to indigenous communities, may be essential to fend off the social and political backlash resulting from neglecting environmental risks. If not addressed, these risks may easily translate into the total paralysis of the project.

Issues to consider

- ▶ Revival of TAP-the challenge is that now the fastest growing markets for crude are in the Far East, and KSA may not want to commit to Mediterranean volumes. Similar issues may apply to Iraqi lines through Jordan-Iraq may see most of the demand coming from the east not west.
- ▶ Gas flows from GCC/Iraq via Jordan into Syria/Turkey to supplement the AGP-requires high level intervention and securing markets-many countries are competing to access Turkey and the EU. Jordan would probably have to be placed as a transit corridor rather than an end market.
- ▶ Further electricity trade-could there be electricity available from regional countries even if gas is not.

Conclusions

- ▶ Jordan is located advantageously and should strongly promote regional energy infrastructure and trade, which would benefit the country through increasing its own energy security and transit fees.
- ▶ Regional energy integration would foster regional political cooperation, as the two are mutually reinforcing.

Thank you

