

# The EU and energy in the Arab countries

November 2015

For more information

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## Egypt: an EIB loan to the North Giza II power plant

**E**gypt is a big producer of oil and gas but since 2010, the country is suffering from electricity shortage. Over the past 5 years, Egypt's energy production grew on average by 1 per cent per year compared to an average consumption growth of 5.3 per cent annually.

Egypt's population grows by 2 per cent annually. On top of the energy shortage, Egypt is facing food insecurity and may soon have close to 100 million people struggling to meet their basic needs for food and water.<sup>1</sup> In 2013, fuel subsidies in Egypt accounted for 7 per cent of GDP (with a total government deficit of 12 per cent of GDP).<sup>2</sup>

The North Giza Power Plant II, 1500 MW **natural gas-fired power plant**, is one of several large gas power plants that the Egyptian government is developing since 2011 in an effort to cope with the electricity gap. North Giza II is funded by the **European Investment Bank** (EIB) and the **World Bank** with around USD 1.1 billion and managed by the Egyptian Electricity Holding Company. The power plant uses Combined Cycle Gas Turbine technology and the project promoters claim it is energy efficient, eco-friendly and community inclusive. Both the local community and the findings from a field trip strongly dispute these claims.

North Giza II is located approximately 30 km northwest of Cairo in the Khairallah Basin, historically called "*The Lake of Gold*" for its vast wheat plantations combined with mangos, corn, grapes and oranges production. The project covers 72 acres of fertile agricultural land of the Nile Delta even though due to water scarcity agricultural land constitutes only 3.5 per cent of Egypt's territory. The project has seriously affected local communities who have raised concerns related to **water and land rights, environmental pollution, loss of livelihood, inappropriate compensation and involuntary resettlement, both with the government as well as with project funders.**

The World Bank Inspection Panel acknowledged in 2013 that the project resulted in harms to the community and recommended that these impacts be addressed and resolved by the World Bank management. The case was left open for further investigation should new evidence be presented. Thus far, affected communities state that their concerns have not been adequately addressed and that the harms suffered have not been properly compensated.

1 See more at: <http://www.futuredirections.org.au/publications/food-and-water-crises/1826-death-on-the-nile-egypt-s-burgeoning-food-and-water-security-crisis.html>

2 [http://www.rcreee.org/sites/default/files/egypt\\_fact\\_sheet\\_re\\_print.pdf](http://www.rcreee.org/sites/default/files/egypt_fact_sheet_re_print.pdf)

## Dominance of fossil fuels

The viability of the new gas power stations is questionable. Close to 80 per cent of Egypt's electricity is currently generated with natural gas. Yet, gas production has lagged behind in recent years as political unrest and mounting government debts have discouraged foreign energy firms from developing new gas fields. In 2014, the Egyptian government cut the gas supply for a number of agricultural and industrial facilities in order to ensure an adequate amount of gas would be pumped into electric power plants to momentarily calm the anger that had been rising due to the power shortage crisis. According to World Bank reports, the construction of the North Giza power plant is making progress at a slower rate than expected due to the lack of natural gas to test and commission the steam turbines.

Egypt that has huge potential for solar energy, but the share of solar in the current energy production is only 0.14 per cent. Regardless, 97 per cent of the EIB's investments over EUR 1.6 billion between 2007 and 2014 went to fossil fuel project.

Other power plants financed by the bank, such as the Damanhour power plant also present structural problems in relation to environmental pollution and inadequate compensation for involuntary resettlement. Also the European Bank for Reconstruction and Development (EBRD) focuses on fossil fuel projects in Egypt. It invests in the conversion of two existing power plants – Damietta West (500mW) and El Shaba (1000 MW) – to combined cycle technology with the potential to burn coal.

If European public banks continue with their trend to finance fossil fuel investments in Egypt without addressing energy efficiency needs and the potential for renewable energy, it will only deepen the energy and economic crisis in the country.

Moreover, the added value of their participation in these investments is highly questionable. The projects show significant loopholes in the implementation of environmental and social standards that the European lenders are supposed to

safeguard. Small-scale renewable generation projects are not being investigated which calls into question the role that European lenders play in addressing Egypt's energy, employment and efficiency needs and eventually in facilitating peace and security in the country.