



The EU and energy in the Arab countries

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Tunisia: a loan from the EBRD to Serinus Energy

For more information

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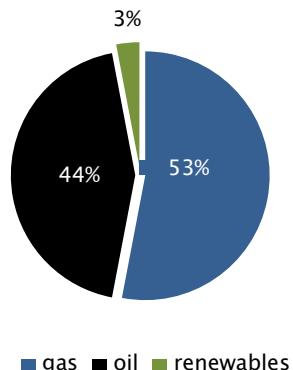
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Since 2000, Tunisia has had a structural deficit in its energy balance that has increased from 1.7 Mtoe¹ in 2012 to over 3.07 Mtoe in late October 2014, reflecting the inability of national production to meet the energy needs of the population.

Tunisia's energy mix is characterised by a strong reliance on fossil fuels at 97 per cent of the energy mix, of which 53 per cent is for gas, 44 per cent for petroleum and 3 per cent renewable energies.² Current trends illustrate a rapidly increasing domestic consumption and stagnating energy production, with growing dependency on gas imports from neighbouring Algeria.³ In 2014, Tunisian crude oil production covered 65 per cent of the domestic demand for fossil fuels, with the rest being imported. More than 96 per cent of electricity is produced by gas, though domestic production only covers 45 per cent of demand. The situation has pushed the government to look for new investments in research and development for new extraction operations, particularly in unconventional hydrocarbons such as shale oil and gas.

The share of renewable energies increased to three per cent in 2014 due to the second phase of the "Mateline-Kchabta" wind farm. The Tunisian government is making efforts to develop renewable energies as a way of diversifying its energy mix⁴, aiming at 30 per cent by 2030, including 15 per cent wind, 10 per cent solar and 5 per cent thermodynamic solar panels.⁵



CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

www.bankwatch.org

1 Mtoe: Million tons of oil equivalent, unit of measure

2 http://www.tunisieindustrie.gov.tn/upload/download/revue_energie/revue_energie-dec2014-fr.pdf

3 Ibidem.

4 <http://www.rcreee.org/content/tunisia>

5 http://www.tunisieindustrie.gov.tn/upload/download/revue_energie/revue_energie-dec2014-fr.pdf



Following the 2011 Arab Spring, the EBRD began its operations in the Southern and Eastern Mediterranean (SEMED) region. Two years later, Tunisia was awarded the status of country of operation and a permanent office was opened in June 2013. Annual EBRD investments in Tunisia have steadily increased to a current portfolio of EUR 212 million, with a focus on financial institutions and energy companies.⁶

The EBRD states that it is “*supporting energy efficiency and the development of a sustainable energy sector*” and “*financing private enterprises, with a focus on SMEs*” among its four priorities for Tunisia.⁷ How then does it justify a July 2013 investment of EUR 60 million loan for extracting fossil fuels by the international company Serinus Energy (parent company Kulczyk Oil Ventures Inc (“KOV”) listed on Warsaw and Toronto stock exchanges).

The Tunisian Observatory of the Economy (OTE) argues in its assessment of EBRD activities during the period 2012–2014 that it is difficult to find EBRD investments in line with their stated strategy of focusing on SMEs and a sustainable energy sector.

The Serinus loan for the development of four exploitation sites for gas and oil (Sabria, Chouech Essaïda, Ech Chouech and Sanghar) between 2013 and 2017 effectively increases production and consolidates the company’s position in the gas and oil sector in Tunisia.

The project documentation of the bank notes the presence of shale gas in the concession area.⁸ Kulczyk Oil, owner of Serinus, is active in hydraulic fracturing in Ukraine⁹ and is proposing to undertake a short-term development program in Tunisia including well-stimulation and horizontal wells in order to increase production.¹⁰

Shale gas extraction will have disastrous consequences in a country like Tunisia that faces

6 <http://www.ebrd.com/where-we-are/tunisia/data.html>

7 <http://www.ebrd.com/where-we-are/tunisia/overview.html>

8 <http://www.ojg.com/articles/2012/09/winstar-sees-gas-potential-in-tunisian-hot-shale.html>

9 <http://www.platts.com/latest-news/naturalgas/London/Polands-Kulczyk-completes-first-ever-Ukraine-8538924>

10 <http://www.winstar.ca/documents/2013/News%20Releases/WIX-2013-04-25.pdf>

severe water shortages¹¹. The country possesses the smallest water resources in the region, estimated between 600 and 800 cubic metres per person annually, down from an estimated 2528 cubic metres per person annually in 1995¹². One of the concessions is located in a sensitive area that is the only potential hydrological source for the region (Algeria, Tunisia, Libya) and is recommended to UNESCO¹³ for inclusion on its list of World Heritage Sites.

The project also has limited impacts on the state budget. In three of the four concessions (Sanghar, ChouechEssaïda and EchChaouech), KOV has a specific concession tax regime, with the payment of royalties at a low and fixed percentage, regardless of its profitability and the price of oil.

The graph below clearly shows an unequal distribution of income in favour of the company compared to state revenue. The project does not increase employment in the region, while the non-qualified work force employed on a temporary basis (three months) are poorly paid (about EUR 500 gross/month).

Between 2007 and 2014, Tunisia received nearly EUR 1 billion in support for hydrocarbons from the EIB and the EBRD, and very little support for renewables (EUR 7 million). In contradiction with its strategic priorities for Tunisia, the EU and the European financial institutions continue to support projects through the lens of EU security of energy supply. Although the Tunisian energy sector, mostly the fossil fuel industry, receives the most foreign direct investment (often supported by the state through tax benefits and regulations), it only fuels unstable and short-term employment.

Given these concerns, it is recommended to change the EU public bank’s strategy and prioritise funding renewables and energy efficiency. Such a shift would help Tunisia and the Tunisian government reach its energy objectives, support the diversification of the country’s energy mix, reduce carbon dioxide

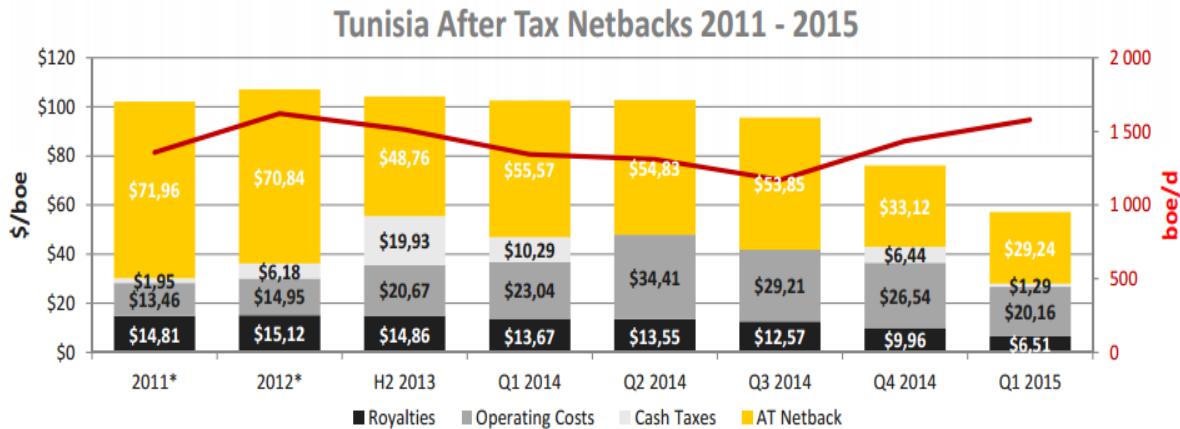
11 <http://economie-tunisie.org/fr/observatoire/analyses/economics/mensonges-sur-le-gaz-de-schiste-les-catastrophes-environnementales>

12 Source: FAO Aquastat Database

13 <http://whc.unesco.org/fr/listesindicatives/5385/>



emissions, phase out energy subsidies, shrink the dependence on fossil fuels (mainly gas) and promote a decentralised energy system.



Tunisia after tax netbacks of Serinus 2011–2015¹⁴

¹⁴ http://media.serinusenergy.com/file/mediakit/701094/6c/sen_corporate_presentation_may_2015.pdf