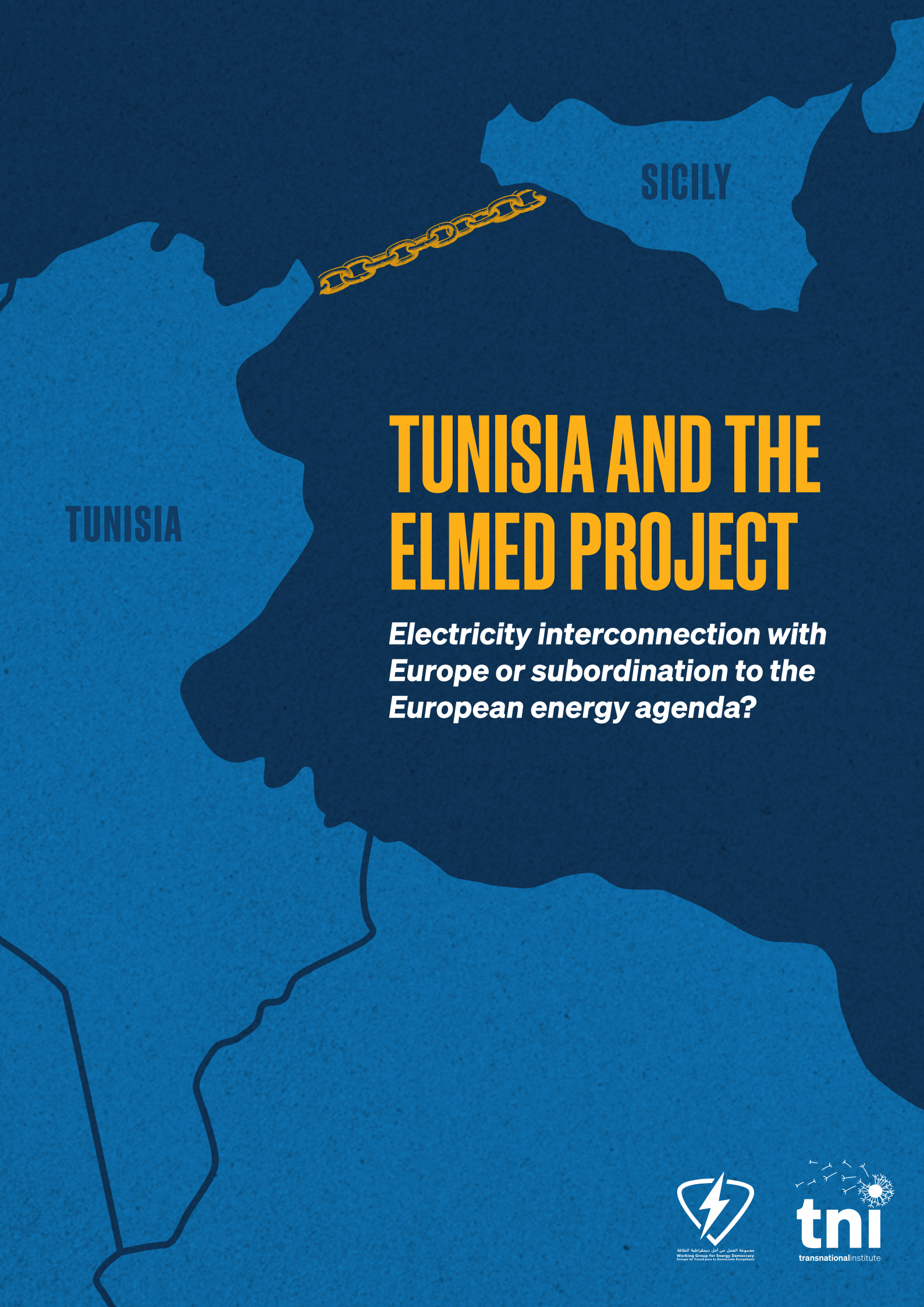

TUNISIA AND THE ELMED PROJECT

Electricity interconnection with Europe or subordination to the European energy agenda?

مجموعة العمل من أجل ديمقراطية الطاقة
Working Group for Energy Democracy
Groupe de Travail pour la Démocratie Energétique

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While the Working Group for Energy Democracy was preparing this document, Gaza (Palestine) is being subjected to a genocide by the Zionist entity amidst international silence and Western complicity. The Working Group draws your attention to the cause of the Palestinian people and what they have been suffering for decades and considers that their battle for liberation represents the culmination of peoples' struggles against exploitation caused by the global capitalist system.

This publication is produced by the Working Group for Energy Democracy in collaboration with the Transnational Institute (TNI).

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For terms in bold, see the Definitions section

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DEFINITIONS

Available capacity of solar panels:
The available capacity according to the degree of sunshine, which is highest in the afternoon and decreases in the morning and evening.

Carbon footprint:
The sum of greenhouse gases produced by human activities and the paths by which materials consumed produce these greenhouse gases.

Carbon offset and credits mechanisms:
Tradable bonds that represent a reference amount of greenhouse gases (mostly one ton of carbon dioxide equivalent) that has been prevented from being released into the atmosphere.

Demand shedding:
When the demand for electricity is high and there is a shortfall to meet it, a portion of consumers are disconnected from the grid (i.e. cut off) in order to avoid a total outage and maintain grid stability.

DESERTEC:
The DESERTEC project, initiated in 2003 by a consortium of German companies, aimed to export solar energy from the Sahara Desert to Europe. Since its launch, the project has faced significant technical, financial, and political challenges, and its large-scale implementation has largely stalled. While some pilot initiatives and research continue, the original vision of a vast trans-Mediterranean solar network is no longer actively pursued.

Electricity production concession:
An exclusive concession to produce electricity and sell it to the public entity, following the launch of a call for tenders.

EURIBOR:
The average interest rate at which European banks grant loans.

Guarantees of origin:
Certificates guaranteeing that the electricity consumed originates from renewable sources.

Greenhouse gases:
Gases that trap heat, raising the surface temperature of the Earth. Industrial processes and land use changes have significantly increased the volume of greenhouse gases in the atmosphere over the past one and a half centuries, leading to a more than 1°C increase in average global temperature.

International Financial Institutions (IFIs):
International financial organizations, mostly non-private (governmental), that provide loans and grants to countries and companies within the framework of a market economy and the promotion of private investment.

Load factor:
The ratio of the availability of electricity-producing equipment during a full year.

Maximum consumption capacity:
The peak consumption of electricity at a given moment that requires all resources to be mobilized in order to avoid power outages.

Megawatt/Gigawatt-hour (MWh, GWh):
A unit of measurement of energy, used especially in the field of electricity, equal to the available power in megawatts (MW) or gigawatts (GW) multiplied by the number of hours of operation. To convert GWh to MWh multiply by 1,000.

Pumped storage hydropower:
These are stations connected to dams to pump water and produce electricity: When there is a decrease in consumption, water is pumped from a lower area to a higher one. When there is a need for electricity, especially at peak times, the water is released and used to drive turbines to produce electricity.

STEG
The Tunisian Electricity and Gas Company (Société Tunisienne de l'Electricité et du Gaz), a public-owned company created in 1962 for the production and distribution of electricity and natural gas in Tunisia.

PREFACE

Tunisia is in the midst of an energy crisis. Its energy independence rate is falling and it is increasingly reliant on imports of both natural gas and electricity from Algeria.

The government's response has been to privatize the energy sector and submit to the recommendations of international financial institutions. The Working Group for Energy Democracy has criticized the government's proposed solutions and put forward alternative proposals, notably in the 2022 report *Towards a just energy transition in Tunisia: How to develop a democratic energy model that breaks with the current approach to renewable energy production*.[1]

We now present a study of one energy project which the Tunisian government is pursuing with Northern partners: an electrical interconnection project between Tunisia and Italy known as ELMED. Consisting of a 200-kilometre submarine power line connecting the two countries, ELMED's official aims are to 'deliver a safer, more sustainable and more resilient supply of power while increasing the exchange of electricity generated from renewable sources which are driving the investment in clean generation systems'.[2]

This report compiles and critiques justifications put forward by official bodies and funding institutions. It sets evidence collected from the project's proponents (official bodies and funding institutions) alongside objective data about the Tunisian context and the European electricity market. In addition, it reviews studies and articles by specialized institutions, and presents the Working Group's own analyses and proposals.

The report has three parts. Part I sets out the context and introduces the ELMED project. Part II looks at the implications of the project for Tunisia. Part III outlines alternative proposals by the Working Group for Energy Democracy, rooted in justice and sovereignty, along with suggestions for partially reducing the implications of engaging in the ELMED project.

We hope that this report will help build an informed and critical understanding of how ELMED and other such energy initiatives reflect the demands of extractive capitalism, driven by Europe and the North, and support the struggle for a democratic energy model that breaks with the current approach to renewable energy production.

– Ilyes Ben Ammar

EXECUTIVE SUMMARY

Tunisia is facing an energy crisis. Its energy independence is declining: only around 48% of the primary energy in the country is produced domestically.

More than 95 per cent of the electricity used is produced from natural gas, of which about two-thirds is imported from Algeria. Tunisia also imports electricity from Algeria: imports accounted for 11% of electricity consumption in 2023.

This deficit is a burden on the state budget. According to the government, the deficit amounted to 8,983 million dinars (about €2,725 million) in 2023. In the same year, the cost of natural gas imports from Algeria reached approximately 3,517 million dinars (€1,065 million euros).

Enter ELMED

The ELMED project – involving a 200-km under-sea electrical cable linking Tunisia with Italy – is part of the Tunisian government's proposed solutions to this crisis. Described as the 'project of the century'[3] by the Italian ambassador to Tunisia, Fabrizio Saggio, in 2023, the project will exchange electricity with a maximum capacity of 600 megawatts (MW), down from the 1,000 MW planned when the project was conceived in 2008.

The project has evolved since then, in response to the political changes following the Tunisian revolution of December 2010 – January 2011 and changes in the Italian electricity market, primarily due to the installation of new renewable energy power plants in southern Italy. It was originally based on plans to export electricity from Tunisia to Italy, but it is now envisaged that electricity will flow in both directions, at least in the short term. The focus on imports will help meet the official authorities' aspiration, as recommended by its funders, to transform the publicly-owned Tunisian Electricity and Gas Company (Société Tunisienne de l'Electricité et du Gaz, or STEG) into a mere intermediary between producers and consumers.

The interconnection is scheduled to enter service by the end of 2028. The project is supported by international financial institutions. Tunisia's share of the costs are being financed primarily through loans from international financial institutions, with the World Bank as the biggest lender, and a grant from the European Union. Italy also gets a grant from the EU, but is otherwise self-funding.

Claimed benefits for Tunisia

The project's proponents argue that ELMED will have benefits for Tunisia, such as developing its renewable energy industry, reducing the cost of electricity for Tunisian households and companies, and improving energy security. The authorities justify the proposed import of electricity on the basis that it will reduce the need to import gas. However gas imports from Algeria will simply be replaced by electricity imports from Europe.

A hidden agenda to promote privatization and import dependency

Close examination of project documents, including the World Bank's appraisal, reveals that far from serving Tunisia's needs, the project was designed primarily to serve European, particularly Italian, energy demands.

It was also intended to promote privatization of the energy sector and draw Tunisia into dependence on imports. This export-oriented model relies heavily on foreign direct investment (FDI) and excludes Tunisia's public utility (STEG) from meaningful participation.

Implications for Tunisia

Our research found that ELMED will have damaging effects on Tunisia's economy, energy security, and carbon footprint.

Historical data shows that such FDI-driven projects are likely to drain hard currency, exacerbate Tunisia's energy trade deficit, and consolidate corporate control over energy infrastructure. FDI often results in repatriation of profits to the investor country, rather than local reinvestment. Between 2000 and 2012, nearly $12 billion of FDI left Tunisia as dividends to foreign investors.

In particular, we found that:

- The project will increase STEG's debt burden by at least 15%, from an estimated 7,850 million dinars (more than €2,300 million) in 2019.
- Tunisia is projected to lose around €220 million in hard currency during the first decade (2030–2040) of the project.

Failure to serve domestic needs

The supposed benefits to Tunisia are largely illusory.

ELMED may lead to exports being prioritised over domestic energy needs. STEG may be forced to cut electricity supply to local consumers to meet its export commitments. Proponents of the project say that only surplus electricity will be exported and that this will not affect national needs. However, the relevant law, the 2015 Law on the Production of Electricity from Renewable Energy Sources, allows for electricity export regardless of national needs. And the project could result in Tunisia paying for locally-produced electricity in hard currency, as if it were imported.

Official claims that renewable energy imports will reduce domestic electricity costs are based on flawed readings of European markets and disregard objective data from international institutions. The wholesale price of electricity – even when generated from renewable sources – is influenced by the most expensive production methods, typically gas. The market is also highly sensitive to developments in global energy markets, as well as unpredictable geopolitical factors such as the Russia–Ukraine crisis and the Zionist aggression in Gaza.

Requiring Tunisia to import electricity from Italy will make it vulnerable to fluctuations in the European market. In reality, electricity produced domestically by STEG is more cost-effective than imported alternatives, yet official narratives continue to justify imports in misleading terms.

Holding back renewable energy

Tunisia's Energy Strategy set a goal of 4,850 MW renewable energy capacity by 2030. Yet as of 2024, no solar concession projects have been built.

Despite claims that it will create opportunities for local companies, ELMED is unlikely to help Tunisia's domestic renewables energy industry to develop. It will primarily benefit foreign investors. To date, most concessions for renewable energy production in Tunisia have been awarded to European companies. No Tunisian companies have gained concessions as they are unable to invest in such large-scale projects or to access the European energy market and compete with major international companies.

Carbon emissions and climate justice

According to ELMED's defenders, the project will reduce Tunisia's carbon footprint. However the project may facilitate the import of electricity from non-renewable sources to Tunisia, giving the lie to its green objectives. In reality its primary role is to lower Europe's carbon emissions – effectively externalizing decarbonization onto Tunisia.

The role of STEG

One of the unofficial aims of the project is to weaken and sideline Tunisia's publicly-owned utility. STEG's contribution to electricity production is expected to drop from 88% in 2023 to 36% by 2030. Its role will be reduced to a mere intermediary between producers and consumers.

Yet STEG is a huge asset to the country. It contributes to GDP growth and reduced dependence on foreign countries, despite its continued dependence on imported technology. It should be valued and supported.

Green colonialism

Rather than serving local needs, ELMED positions Tunisia as a conduit for Europe's 'green transition', effectively exporting both energy and environmental responsibility. The Working Group for Energy Democracy argues that this represents a new form of green colonialism, in which Northern industrial powers offload their climate obligations onto Southern countries.

The commodification of electricity is at the heart of the energy agenda that Europe seeks to bring to North Africa. The ultimate outcome is to deprive the Tunisians of their right to control their natural resources, which will be monopolized by European capital to generate profit.

ELMED is a continuation of the neocolonial narrative aimed at providing the countries of the North with raw materials, including energy sources, from the global South. Despite the bright and seductive marketing, the content remains the same – consecrating dependency – while substituting traditional colonial tactics with new economic strategies.

Tunisia must reclaim control: renewable energy production should strengthen public ownership, prioritize national and community needs, and resist being subordinated to foreign markets and profit-driven FDI schemes. Energy sovereignty, not import/export dependency, must guide the country's transition.

The report ends with recommendations to mitigate the impacts of ELMED and transform Tunisia's energy sector based on the principles of justice, sovereignty, and environmental responsibility. These include

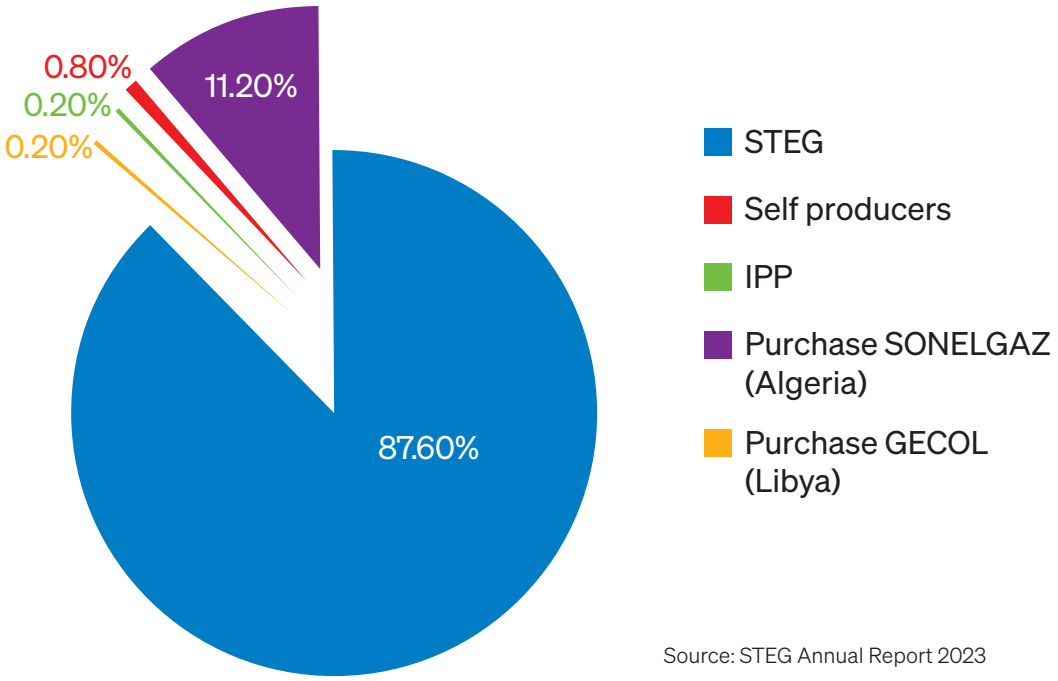
- development of a comprehensive national plan for electricity generation based on domestic energy needs, projected consumption patterns, and the renewable energy sources best suited to meet them
- amendment of the 2015 Law on the Production of Electricity from Renewable Energy Sources so that electricity exports are strictly limited to surplus production and carried out exclusively through STEG
- giving STEG the authority and resources to manage electricity production and distribution
- diversification of electricity production sources and in particular exploration of Tunisia's potential 2,000 MW hydropower resources.

I. ELMED: The context

1. The significance of electrical interconnection

Tunisia is experiencing an energy deficit that has affected its energy sovereignty. The ratio of primary energy resources to energy consumption was 48% in 2023.[4] Gas imports from Algeria are now limited strictly to the quantities stipulated by contract (with no additional volumes allowed since 2021), so Tunisia has been compelled to compensate for the shortfall by importing electricity from Algeria. In 2023, these imports accounted for more than 10 per cent of the country's total electricity consumption.[5]

Figure 1: Share of net electrical energy in Tunisia (2023)



Source: STEG Annual Report 2023

This situation, which has been anticipated for years, coupled with changes in the global energy market, has pushed successive post-Revolution governments (including the current one) to move forward with a policy that attempts to resolve the energy crisis under the umbrella of the energy transition.

Inter-country electricity connection is a mechanism for integrating the world's energy markets and providing opportunities for major energy companies to expand further and accumulate greater profits. This interconnection has some technical advantages, most notably reducing the risks of major disruptions to electricity supply and rationalizing investment in production; it also has serious downsides. As the energy transition accelerates and investments in renewable energies, especially solar and wind power, grow, linking electricity grids has become necessary to help deal with the interruptions and mismatches between production and consumption peaks and reduce the need for more expensive energy storage options.

A report by German think tank Agora *Energiewende*[6] found that grid interconnection is very cost-effective compared to energy storage, especially when renewable energies are integrated in large proportions into the energy mix. For example, the European electricity grid is facing problems that are affecting the functioning of the market, especially when renewable energy production surpluses cause the 'negative prices' phenomenon.[7] European countries are solving this by expanding connections with grids in neighbouring countries (such as North African countries) to discharge surplus energy.

In addition, the old and continuing desire to monopolize the natural resources of the countries of the South, makes the electricity interconnection project popular with the countries of the North. This could not be better demonstrated than by plans to export renewable energy (especially solar) from North Africa to Europe, which date back to the first decade of the current century.[8]

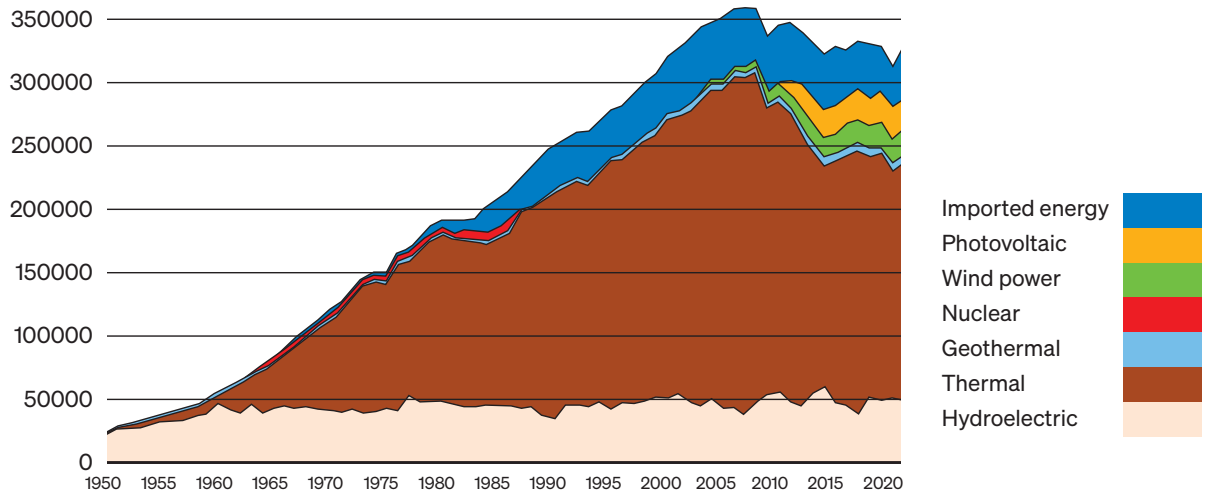
2. Why Tunisia Is Pursuing an Inter-Country Electricity Connection

The initial phase of the ELMED project ran from 2008 to 2009 with the establishment of a Tunisian–Italian joint company, ELMED Studies, whose mandate was to carry out the necessary studies for the project.

The general trend in Tunisia at the time was towards the privatization of electricity through the so-called Independent Power Producers.[9] The legal frameworks had been set up to enable this, and the country's first private electricity producer, Carthage Power Company, (owned by a US–Japanese group: Pseg International, Sithe Power International (USA) and Marubeni Power Holding (Japan)) has been operating since 2002.

Italy's dependence on energy imports had been deepening since the 1980s, most notably with the construction of the Algerian natural gas pipeline TRANSMED and the increase in the volume of imported electricity, as shown in Figure 2.

Figure 2: Development of electricity production in Italy since 1950



Source: Terna (2011), Produzione e richiesta di energia elettrica in Italia dal 1883 al 2011, Rome: Terna.

In this context, the idea of installing a power plant in Tunisia, powered by natural gas or coal to keep costs down, and discharging the produced energy to the northern shore of the Mediterranean, began to take shape. This meant it was necessary to establish a connection between the two shores.

The main objective of the interconnection was for Tunisia was to meet Italy's electricity needs at lower costs, and to facilitate private sector access to production, in line with the Tunisian state's policy to encourage foreign investments and engage in the market economy system. Mr Hedi Turki, former Director of Studies and Planning at the STEG, wrote:

'The move towards independent electricity production in Tunisia is not due to the inability of the STEG to guarantee funds for its investments, despite the difficulty of accessing funding at preferential rates. It falls within the framework of national restructuring and openness to economic globalization through a policy that promotes foreign investments.'[10]

This helped instil the idea of interconnection with Italy, and thus integration into the European electricity market, ceding production for the benefit of foreign investors represented by large energy companies while restricting STEG's role to the procurement and distribution of electricity to consumers.

3. The first version of the project:

As first conceived, the ELMED project comprised:

- A 1,200 MW power plant (800 MW for Italy and 400 MW for Tunisia) in Tunisia. The share of the electricity allocated to Tunisia would be sold to STEG through contracts stipulating mandatory purchase, regardless of whether STEG needed the supply or not.
- A 200-kilometre submarine power line connecting the two countries with a maximum total capacity of 1,000 MW and associated equipment.

A review of some of the documents related to the first phase of the ELMED project[11] shows that its main purpose was to export electricity from Tunisia to Italy while guaranteeing one-third of the produced capacity for Tunisian domestic consumption.

The project was conceived entirely for Italy's benefit and Tunisia was primarily seen as a space for exploitation. This is evidenced by the fact that natural gas or coal were the preferred operating fuels, to reduce production costs, even though coal was not used in Tunisia at the time. Environmental considerations were completely disregarded. At the time Tunisia was not facing a crisis in covering its electricity needs since STEG's electricity supply scheme and the private facility were both in place.

4. The current version of the project

In light of the political changes that took place in Tunisia after 2010, and in view of several new factors that we discuss in the next section, the ELMED project was restructured as follows:

The plan for a new power plant was abandoned.

- The total capacity of the power line was reduced from 1,000 MW to 600 MW, with the possibility of adding a second line if necessary.
- The scope was expanded to allow not only energy export from Tunisia to Italy but also the potential for energy import from Europe to Tunisia, making the link bi-directional. This change was made despite Tunisian officials and technicians insisting that the main objective of the project is export.

Tunisia had to take loans from **international financial institutions (IFIs)** to mobilize the resources to implement the project (Table 1).

These financial resources consisted of loans for Tunisia, represented by the STEG, while Italy, represented by Terna (the company responsible for managing Italy's high-voltage electricity transmission grid), relied on self-funding in order to maximize its return on investment. The European Union (EU) provided a grant to both parties.

Table 1: STEG's Funding of the ELMED Project (Million Euros)

	Loans	Donations	Self-funding
STEG			13.5
World Bank	247	6	
European Bank for Reconstruction and Development	45	2.93	
European Investment Bank	45	12	
German Reconstruction Bank (KfW)	35		
Green Fund	18.4	3.68	
European Union		153.8	
Total	390.4	178.41	13.5

Terna received an estimated €153.8 million grant from the EU, and supplied the remaining €272.2 million from its own funds.

The project received authorization on 10 May 2024 and the interconnection is scheduled to enter service by the end of 2028.[12]

5. Justifications for changing the project format

The main justifications for the changes to the project were:

- The changing political context in Tunisia following the revolutionary process that took place from 17 December 2010 to 14 January 2011, which opened the door for more liberalization of the economy.
- Adjustments in the Italian electricity market structure, primarily due to the installation of new renewable energy power plants in southern Italy that had led to increased investment risks as well as surplus production from overcapacity.

A careful examination of the studies conducted by some of the project's funding institutions reveals that imports (electricity flow from Italy to Tunisia) are a primary objective of the project in its current format, despite claims to the contrary.

A document from the European Bank for Reconstruction and Development (EBRD)[13] states:

'ELMED will play a critical role in supporting the expansion of renewable energy in Tunisia and accelerating its decarbonisation on several levels:

- *it will build the necessary infrastructure both within Tunisia and with the EU to allow for renewable energy integration and reduce the infrastructure constraints on RE development,*
- *it will enable imports of renewable energy from Italy replacing fossil fuel electricity imports to Tunisia,*
- *it will allow for the sale of RE power produced in Tunisia on the European market thanks to the new infrastructure and the introduction of the guarantee of origin scheme and carbon credit certification mechanism.'*

The document also emphasizes the importance of this project in supporting Tunisia's link to the European market and facilitating a two-way electricity trade.

The World Bank, the main funder of Tunisia's share of the project (Table 1), confirmed the following through the pre-assessment document[14] of the connectivity project:

- 'The Tunisia–Italy electricity interconnection project aims to connect the electricity markets in Tunisia and Italy, and to enable the STEG to cover some of the country's basic investment and energy needs.'
- 'The electricity linkage will help diversify Tunisia's electricity supply beyond natural gas, and enhance Tunisia's energy security, in particular by strengthening the integration of renewable energies and managing their flow in direct connection with the European electricity market'.
- 'The proposed project directly contributes to the realization of the first pillar of the World Bank Group's strategic partnership framework with Tunisia for the years 2016–2020. The first pillar aims to 'create an enabling environment for sustainable economic growth and private sector-led employment'.
- 'by finding a low-cost option to import electricity to the STEG / Tunisia'.

The report repeatedly emphasizes the need to support the private sector in electricity production and to reduce the role of the STEG to a mere intermediary between producers and consumers.

6. Declared objectives

The Working Group for Energy Democracy's 2022 publication *Towards a just energy transition in Tunisia*[15] examined how the current government's policy is failing to address the 'crisis' suffered by Tunisia's energy sector, especially the electric power sector, due to its dependence on a paradoxical approach. Perhaps the most prominent example of this paradox is seeking to export green energy at the expense of meeting local needs.

We also find paradoxes when we look closely at the justifications for the loan agreements concluded with the banks involved in financing the interconnection project. These state a number of objectives that the Tunisian government hoped to achieve through ELMED:

- Developing the renewable energy system.
- Reducing the cost of electricity for Tunisian households and companies.
- Improving energy security and contributing to the achievement of carbon and **greenhouse gas emissions** reduction targets.
- Reducing dependence on natural gas imports to reduce the burden on the state budget.
- Strengthening, in the long term, Tunisia's position as a net electricity exporter.
- Creating new investment opportunities for Tunisian companies in the field of renewable energies.
- Further strengthening Tunisia's inclusion in the Euro-Mediterranean energy markets and opening up the possibility of integrating the Maghreb electricity market with the European electricity market, which will help further support electricity exchange with Algeria and Libya.

We shall demonstrate how all these objectives are based on fallacies and do not take account the reality of the European energy market.

II. What ELMED would mean for Tunisia's energy security

Despite claimed benefits for Tunisian consumers, industry and the economy, ELMED will have devastating consequences. It will exacerbate indebtedness, redirect investment away from Tunisian renewable energy companies, increase dependency on energy imports from Europe, and increase Tunisia's carbon footprint in order to enable Europe to claim green credentials. This section examines what ELMED will mean for Tunisia's energy security, if it goes ahead as planned.

1. Exacerbating indebtedness and draining hard currency

The Tunisian Electricity and Gas Company (STEG) had to borrow more than two-thirds of its share of the costs of the ELMED project, approximately €390 million euros (more than 1,200 million Tunisian dinars) (see Table 1).

This has increased the public company's debt burden by at least 15 per cent, from an estimated 7,850 million dinars – more than €2,300 million – in 2019).[16]

This debt will be repaid over the coming years with variable interest rates tied to **European interest rates (EURIBOR)**. This means a drain on hard currency. As STEG has revenues only in local currency, it has to resort to financial markets to obtain euros and dollars, incurring losses due to exchange risks and fluctuations in the value of the Tunisian dinar against these currencies.

Tunisian officials insist that once the connection is completed and operational, the project will contribute to the country's resources through the export of electricity.

The Tunisian Institute for Competitiveness and Quantitative Studies,[17] analysed the role of foreign direct investment (FDI) in Tunisia.

Table 2: FDI and income in Tunisia (Million Tunisian Dinars)

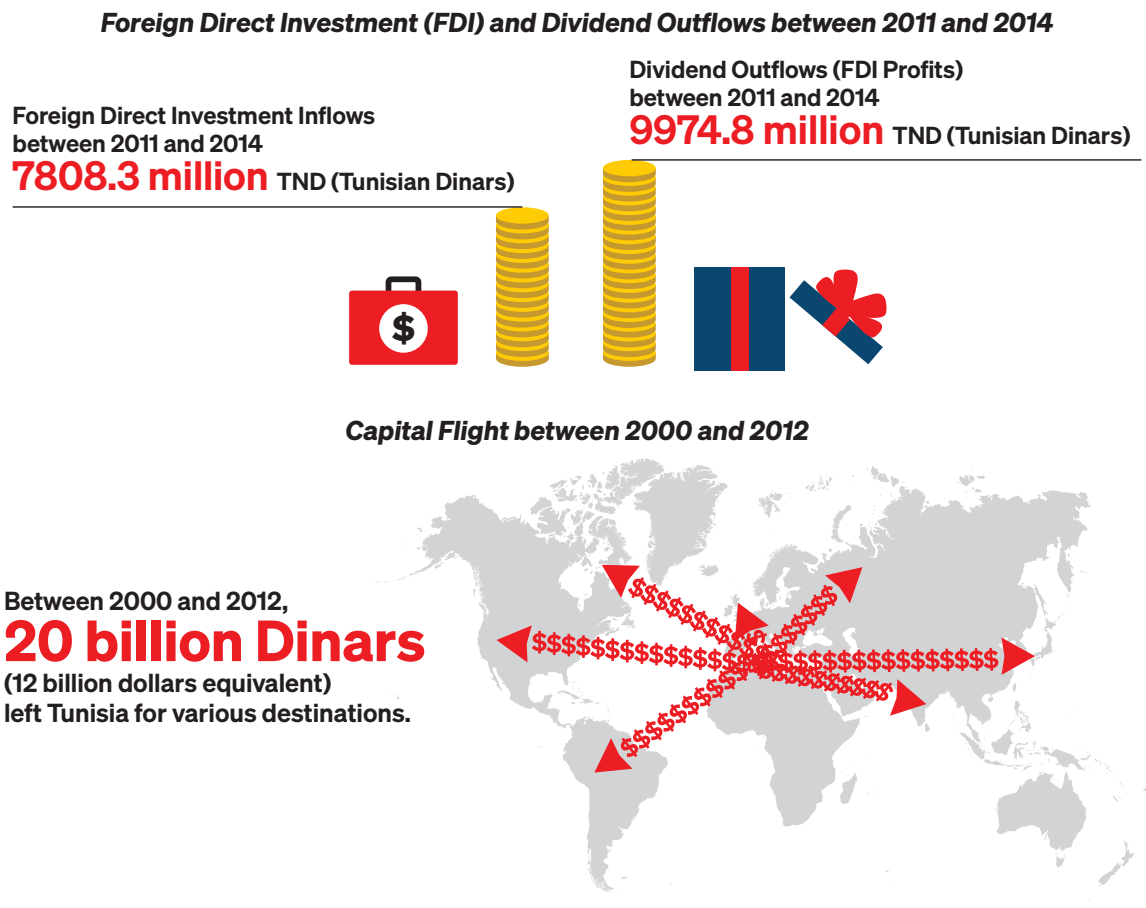
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total foreign direct investment	1068.4	700	1169.8	757.1	799.2	1018.7	4406.5	2075.3	3403.7	2288	2175
Income	640.6	690.3	668.2	685.1	882.4	1247.8	1315.4	1951.3	2412.3	2144.5	2373.9
Percentage of FDI income	60%	99%	57%	90%	110%	122%	30%	94%	71%	94%	109%

It found that in 2004, 2005 and 2010, the amount of profit repatriated by foreign investors exceeded the volume of investment entering the country. During the early 2000s, especially in 2000, 2002 and 2006, there was a noticeable spike in FDI inflows due to the privatization of several public enterprises. However, even when excluding these exceptional years, the profits repatriated by foreign investors still amounted to more than three-quarters of the total foreign capital invested.

This shows that foreign companies operating under the FDI framework in Tunisia are not structurally embedded in the national economy. Instead of reinvesting profits locally, these companies repatriate the majority of their earnings to their home countries.

The Tunisian Economic Observatory published data showing that between 2000 and 2012, nearly $12 billion of foreign direct investment in Tunisia ended up outside the country, as dividends paid to investors.[18]

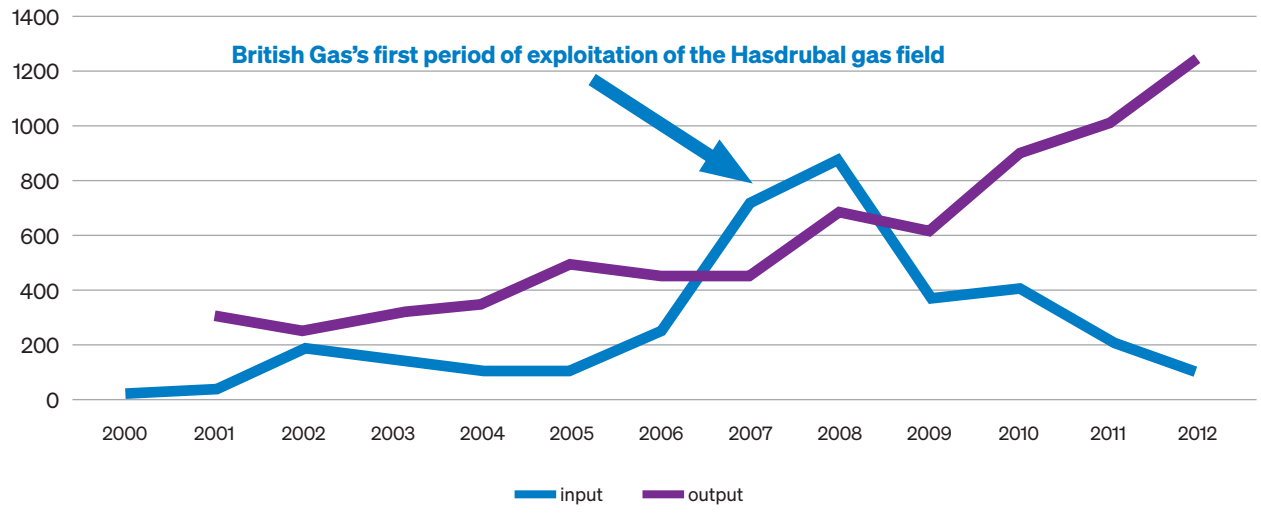
Figure 3: Comparison between FDI inflows and profit outflows from Tunisia between 2011 and 2014



Source: Ben Rouine, Chafik. *Bilan des incitations aux investissements en Tunisie.* May 2014.

The report[19] included an example of investment in the energy sector (Hasdrubal field operated by British Gas from 2000 and 2012):

Figure 4: British foreign direct investments in Tunisia



Source: Ben Rouine, Chafik. *Bilan des incitations aux investissements en Tunisie.* May 2014.

This evidence refutes claims that investments in renewable energies by foreign companies boost hard currency incomes.

2. No opportunities for Tunisian renewable energy companies

Proponents of ELMED claim that the project will create new investment opportunities for Tunisian renewable energy companies. However most of the companies which have acquired concessions for the production of electricity from renewable sources announced so far are European.

Table 3: Photovoltaic power plants under concession in Tunisia and their countries of origin

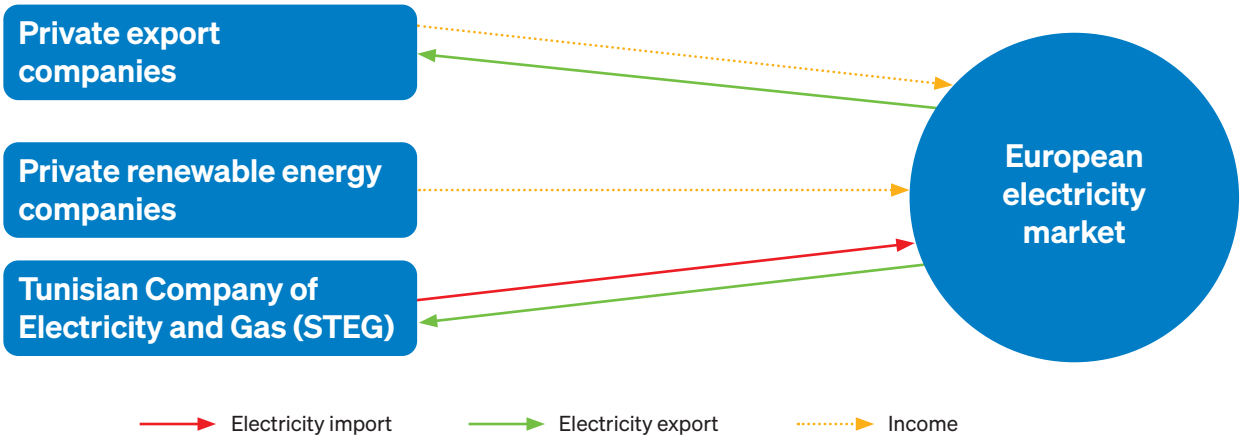
Company / Consortium	Country of Origin
Abu Dhabi Future Energy Company PJSC (Masdar), EDF Energies Nouvelles, Mitsui & Co Ltd	UAE, France, Japan
Acciona Energia Global SL, Swicorp Company	Spain, Saudi Arabia
Canadian Solar UK Projects Ltd, Delta star Enerji Ve, Sunnel UK Ltd	Canada/UK, Turkey, UK
CECEP Solar Energy Technology Co, Ltd, Phelan Energy Group Limited	China, South Africa
ENEL Green Power Spa	Italy
ENGIE Afrique SAS, Nareva Renouvelables	France, Morocco
Fotowatio Renewable Ventures B.V	Netherlands/Spain
Globeleq Africa Holdings Ltd, Akuo Energy SAS	UK, France
HBG Holding SA, GreenYellow	Tunisia, France
International Company for Water and Power Project (ACWA Power)	Saudi Arabia
Power Construction Corporation of China Ltd	China
Scatec Solar ASA	Norway
SPIC Huanghe Hydropower Development Co, Ltd	China
TBEA Xinjiang Sunoasis Co. Ltd, Phanes Energy DMCC	China, UAE
TotalEnergies SE, Access Infra Africa Limited, Lucia Holding	France, UAE
Voltalia SA, Cobra Instalaciones y Servicios SA, TUNUR Ltd, Low Carbon Ventures Ltd	France, Spain, UK, UK

Source: Leaders (22 November 2018) '28 promoteurs pré-qualifiés pour les centrales photovoltaïques et éoliennes en concession en Tunisie : la liste complete.'

No private Tunisian companies have gained concessions, which is unsurprising given their inability to invest in such large-scale projects or to access the European energy market and compete with major international companies.

The actual hard currency inflows that this project could provide can be summarized as follows:

Figure 5: Potential currency flows through the ELMED project



Based on the World Bank's Project appraisal document (cited above), the overall projected electricity flows between Tunisia and Italy can be summarized as follows:

Table 4: Projected energy flows through the undersea cable (unit: GWh)

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Exported quantities	1000	1000	1200	1000	1400	1700	1900	2100	2800	2300	2200	18600
Quantities supplied	3200	3100	2900	3000	2100	1700	1400	1300	1200	1100	1200	22000
Difference	-2200	-2100	-1700	-2000	-700	0	500	800	1600	1200	1000	-3600

If we calculate the value of these energy flows assuming that:

- The price of electricity produced from renewable sources is 79 Tunisian dinars (approximately €24) per MWh[20]
- The import price is equal to the lowest average annual electricity price on the EPEX SPOT market since 2018,[21] which is €30 per MWh,

Then we reach the amounts for foreign exchange flows as shown in Table 5.

Table 5: Projected foreign exchange inflows resulting from the electricity connection (Million Euros)

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Value of exported quantities	23.9	23.9	28.7	23.9	33.5	40.7	45.5	50.3	67.0	55.1	52.7	445.3
Value of quantities supplied	96.0	93.0	87.0	90.0	63.0	51.0	42.0	39.0	36.0	33.0	36.0	666.0
Difference	-72.1	-69.1	-58.3	-66.1	-29.5	-10.3	3.5	11.3	31.0	22.1	16.7	-220.7

This demonstrates that the model adopted for the interconnection project is structured to primarily benefit Europe—its markets and companies—while Tunisia will bear a disproportionate share of the negative impacts, particularly in terms of hard currency outflows during the early years of the project. In the first decade alone (2030–2040), Tunisia is projected to lose around €220 million in hard currency. While some surpluses are expected to start materializing from 2036 onwards, this does not offset the structural imbalance in the distribution of benefits, especially during the critical initial phase.

3. Energy balance: Dominance of dependency and market rationale

Tunisia's energy deficit is a burden on the state budget and on the financial balance of public institutions operating in this area. According to the Ministry of Industry, Energy and Mines,[22] the deficit amounted to 8,983 million dinars (about €2,725 million) in 2023, given that the value of exports was 4,093 million dinars (€1,240 million) and the cost of imports was 13,076 million dinars (€3,962 million). In 2023, the cost of natural gas imports from Algeria reached approximately 3,517 million dinars (€1,065 million).

Around 72 per cent of natural gas available in Tunisia, both domestically produced and imported, is used for electricity generation.[23] Since June 2021, Algeria has imposed limits on the quantities of gas sold to Tunisia, which has led to increased electricity imports to compensate. In 2023,[24] electricity imports amounted to 2,496 Gigawatt hours (GWh), about 11 per cent of Tunisia's total electricity consumption that year. The authorities have used this situation to justify engagement in ELMED, on the basis that it will reduce the need to import gas. However gas imports will simply be replaced by electricity imports from Europe – which will not necessarily be from renewable sources.

Proponents of ELMED say that only surplus electricity will be exported and that this will not affect national needs. However, the legal framework surrounding this process requires further scrutiny.

The 2015 Law on the Production of Electricity from Renewable Energy Sources deals with the production of electricity for export separately from the production of electricity for national use. Legally, electricity can be exported regardless of whether national energy needs have been met, despite the rhetoric about meeting national needs.

According to Tunisia's 2035 Energy Strategy, the country should have 4,850 MW of renewable energy capacity by 2030.[25] Adding this to the technical minimum of 1,400 MW (the baseline production that STEG must always generate), the total available capacity would be around 6,250 MW. Yet Tunisia's maximum consumption is projected at only 6,000 MW. This creates an official scenario in which a surplus of about 250 MW is expected. The unresolved question—which officials have yet to answer—is how this surplus will be managed.

Could exporting be the solution for these surpluses?

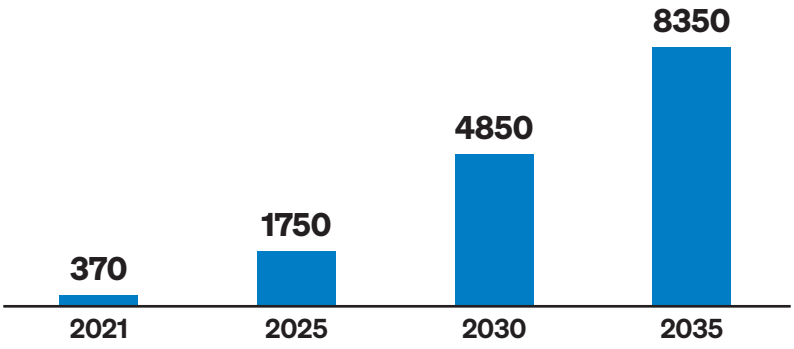
The answer is no, because this surplus is regulated in the domestic (national) consumption regime, while export is a separate regime, under which producers are required to export all their production. However, it is theoretically possible that the buyer, STEG, could export this surplus despite the ambiguity of the legislative texts.

The logical consequence is basically that the domestic production regime will be limited to the planned capacity, allowing for additional export capacity to be set up in order to avoid the possibility of having to deal with the export of electricity and not being able to meet domestic consumption needs at the same time.

Is it possible to export to Europe while simultaneously meeting domestic needs? To address these questions, we need to explore the current reality and the potential of the ELMED project for Tunisia's energy landscape.

The National 2035 Energy Strategy aims to mobilize additional renewable energy capacities as set out in Figure 6.

Figure 6: Planned renewable energy capacity according to the National Strategy (MW)



The goal of reaching 1,750 MW in 2025 seems unattainable, because as of 2024, none of the announced solar concession projects had been built.

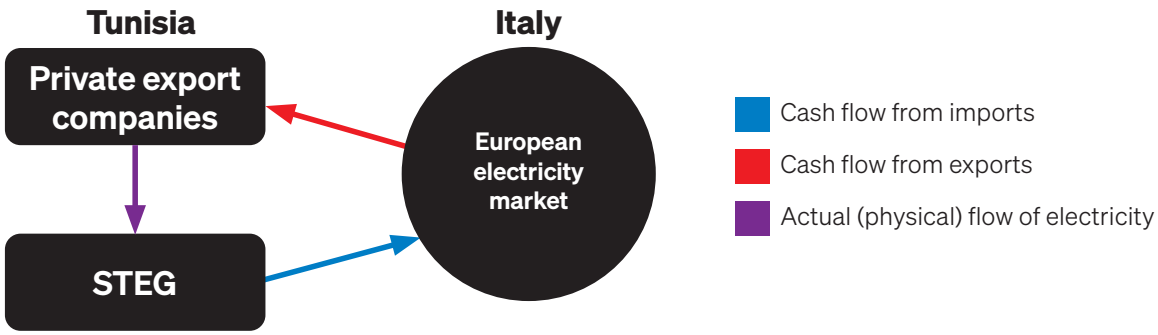
Tunisia's Solar Plan, officially known as the Plan Solaire Tunisien (PST), is the country's strategic framework for expanding renewable energy, particularly solar power, to enhance energy security and promote sustainable development. Formulated in 2009 and revised in 2012, the plan initially set a target of 30 per cent renewable electricity generation by 2030, with broader government strategies aiming to increase the share of renewables in the electricity system to 35 per cent by the same year. However there has been a significant delay in meeting objectives and there is a strong possibility that the targets will not be achieved in the coming years—the period during which the construction of the cable between Tunisia and Italy is expected to begin. What scenarios could unfold in this case?

Suppose that an exporting company (or companies) provides 600 MW of electricity to be supplied through the national grid, while the same amount is needed to meet domestic demand. In the event that it is not possible to increase production, STEG will be left with two options:

- Cut off the electricity supply to Tunisian consumers—a measure known as 'demand shedding—to allow the 600 MW to be transmitted to Europe via the interconnector;
- Procure electricity from other sources to meet national demand.

If STEG uses electricity designated for export to supply domestic customers, this would not be an import in physical terms, but it would be treated as such contractually and thus have to be paid for in hard currency.

Figure 7: The ELMED project offers opportunities for trade and physical flows



The financial **flows** will not match the **actual (physical) electricity flows**, which goes against the usual features of interconnection.[26] This means that the interconnection line will not transfer anything, but the energy produced by the exporting company (or companies) will be consumed domestically by STEG.

Let us assume that the interconnection cable cannot be simultaneously used for both export and import, which would be given priority?

Even if the goals of the Tunisian Solar Plan are achieved and 4,850 MW are installed by 2030, there will still be an issue when production declines during certain hours of the day. For example, assuming that all installed capacity is photovoltaic, the production rate will decrease when the sun sets. Let us suppose – a conservative estimate based on typical PV generation – that the **available capacity** will then be in the range of 30 per cent of the total renewable energy capacity (4,850 MW), or approximately 1,455 MW, the production and consumption table in Tunisia would be as shown in Table 6:[27]

Table 6: Estimated electricity generation and load distribution based on assumed capacity availability

Source	Energy type	Available capacity (MW)
STEG	Thermal – Combined Cycle – Gas turbines	3,635
	Renewable energies	114
Private production for local consumption	Renewable energies	1,341
Total Generation capacity for domestic use		5,090
Export Company/Companies	Renewable energies	200

For example, when electricity demand reaches 5,300 MW as referenced above, STEG will need to secure an additional 210 MW to cover the shortfall. At that point, it will face the options outlined above. Therefore, presenting the Tunisian Solar Plan as a guarantee that Tunisia will become an energy exporter is misleading; it does not ensure that electricity will not be exported even during periods of domestic shortage. Tunisia might be contractually obligated to export electricity at times when it is urgently needed locally.

The ELMED project paves the way for speculative, market-driven control over the electricity sector and enables virtual transactions that do not reflect the actual (physical) flow of electricity. For instance, the national population might end up consuming electricity produced locally using Tunisia's natural resources, but pay for it in foreign currency as if it had been imported from Europe. This scenario reflects a broader concern: that Tunisia's energy system may become more responsive to European energy demands than to those of its own people, especially during critical times.

4. Electricity production costs: the delusion of low prices and short-sightedness

One of the most prominent claims made to justify connection to the European electricity market is that it will reduce electricity production costs in Tunisia.

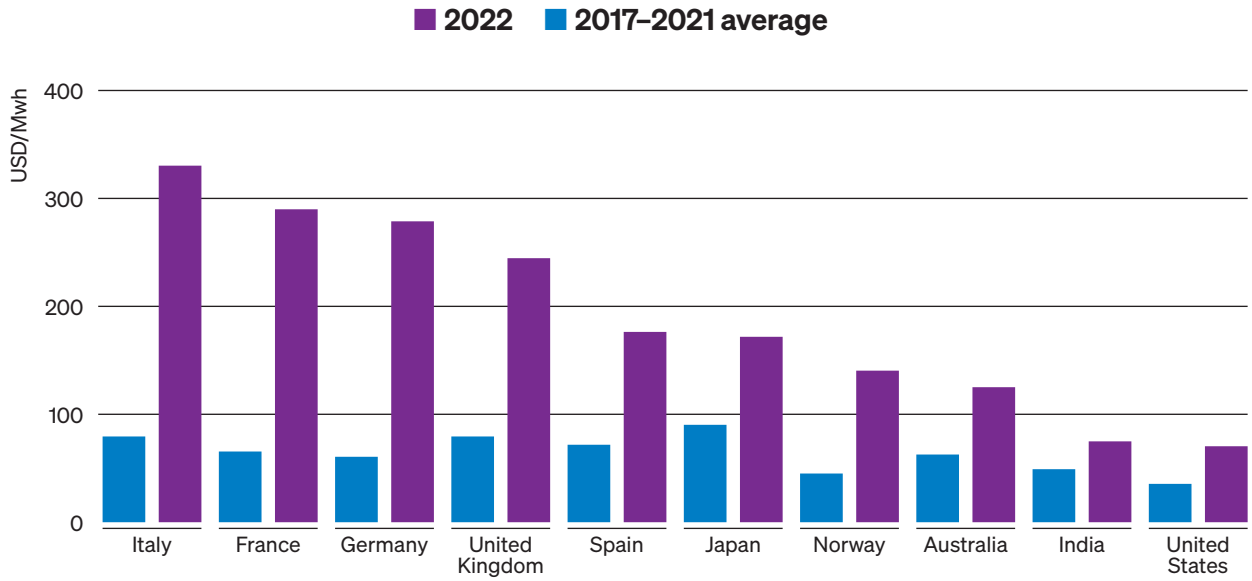
The Working Group warns that the assumptions presented by both official institutions and funding bodies are based on projections that carry a high degree of uncertainty and may not materialize.

The wholesale price of electricity – even for electricity generated from renewable sources – is set by the last power plant needed to meet demand – usually burning gas. The market is highly sensitive to developments in global energy markets, as well as unpredictable geopolitical factors such as the Russia–Ukraine crisis and the Zionist aggression in Gaza.

Therefore, the claim that breaking away from dependence on natural gas will reduce prices is an illusion: if demand in Tunisia coincides with high gas prices in the international markets, STEG will be forced to buy electricity at the indicated cost of gas. Being linked to the European electricity market will not protect Tunisia from supply-related price fluctuations.

The International Energy Agency's *World Electricity Markets Report 2023* noted 'Electricity markets have been affected differently around the world, and Europe has been the most affected'.[28]

Figure 8: Annual wholesale prices in selected countries



Source: International Energy Agency (2023) Electricity Market Report 2023.

Betting on buying electricity from the European market at prices lower than its production costs is mere speculation based on shaky foundations. Moreover, EU debates on the electricity market are almost unanimous on the need for reforms that would enable it to weather the record-high prices resulting from the Russia–Ukraine crisis, meet the challenges of eliminating carbon emissions from the energy sector, and secure supply in light of global geopolitical conditions. Even limited exposure to this market could be detrimental; it may be more prudent to wait and see how the market evolves.

The French Council of Economic Analysis agrees. In a 2023 report, they said:[29]

'*The energy crisis has revealed the inability of the European electricity market organisation to meet the three challenges of decarbonisation, security of supply and affordable prices. This calls for structural reforms …*

In the medium term (2030), decarbonisation requires a radical transformation of the European and French electricity sector due to the increase in electricity needs and the ageing of our nuclear power plants.'

At the end of this section, it is important to note that the Working Group for Energy Democracy rejects, in principle, importing electricity from any country, and calls for it to be produced by STEG, regardless of cost, in order to guarantee the macro-economic returns resulting from local production.

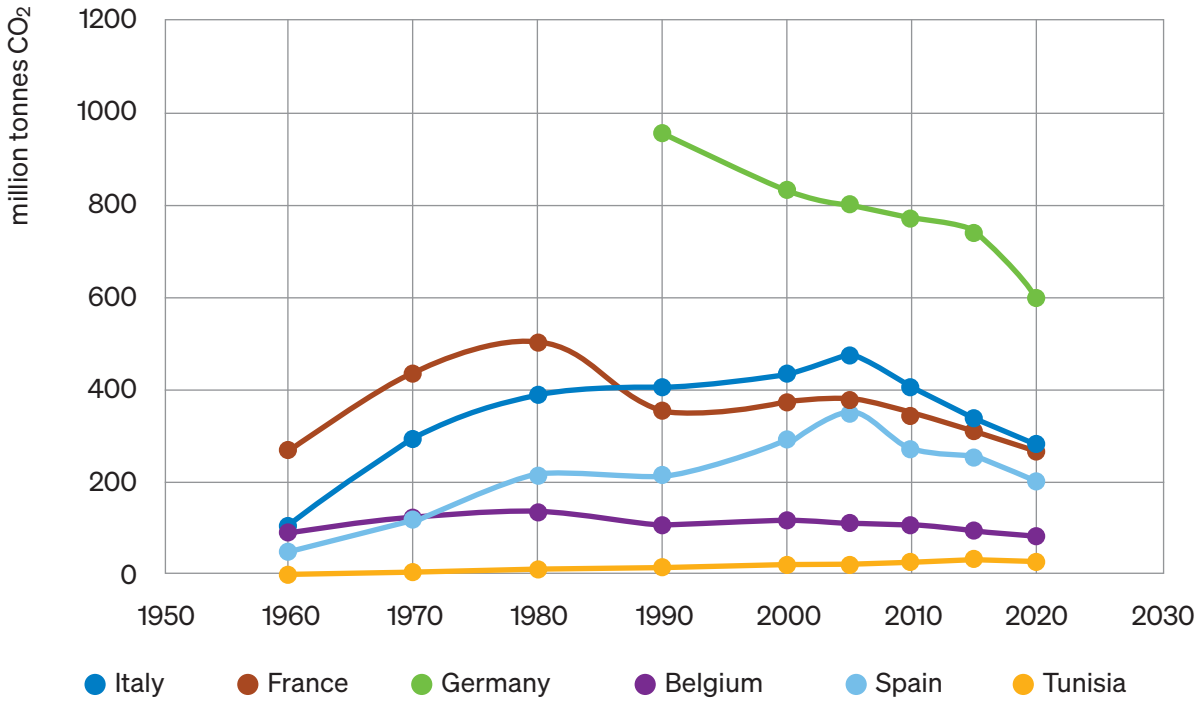
5. Carbon footprint: The big delusion

Greenhouse gas emissions and reducing the **carbon footprint** of consumables is just one area where Northern (and especially European) countries show hypocrisy. Instead of taking responsibility for the climate crisis and adopting justice and fairness in addressing the consequences, Europe is seeking to achieve its climate goals without compromising its industrial base, and to maintain a favourable balance of power in its relations with its former colonies by entangling Southern countries such as those in North Africa in climate-based projects and imposing them through its funding institutions and influencing bodies.

The ELMED project is an example of this. One of the objectives of the project, as set out in the draft law approving the Guarantee Agreement between the Republic of Tunisia and the EBRD,[30] is to: 'support energy security and contribute to achieving the objectives of reducing carbon emissions and greenhouse gases'. This is based on the plan that Tunisia will import electricity generated from renewable sources. It is worth examining to what extent this corresponds to the objective reality.

European countries' greenhouse gas emissions are much higher than Tunisia's, because of the gap in industrial development between them.[31]

Figure 9: Evolution of greenhouse gas emissions for Tunisia and European countries

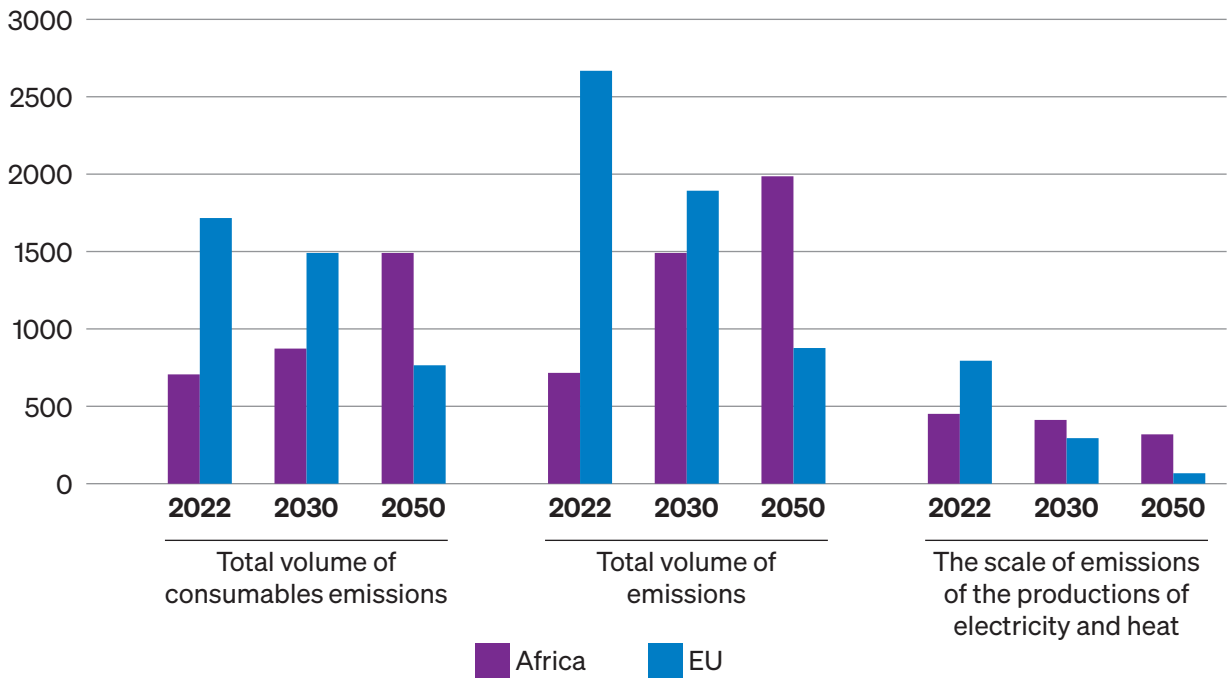


Thus, talk of cutting carbon emissions in a country like Tunisia is a smokescreen and a desperate attempt to justify the project, regardless of the lack of credibility and objectivity of its pretexts. Tunisian official authorities are taking advantage of the global wave of decarbonization funded by the North and are fully adopting Northern discourses without the slightest critical vision.

The purpose of ELMED is to help Europe to achieve its climate goals by reducing the carbon footprint of products consumed in its territories. Meanwhile, Tunisia, while exporting renewable energy, will be forced to import electricity without regard to its source, including fossil-fuel-derived and nuclear electricity.

The International Energy Agency's *World Energy Outlook* report confirms that Northern countries are externalizing carbon dioxide emissions and shifting them from Europe to countries in the South, such as in Africa.[32]

Figure 10: Current (2022) and projected (2030 and 2050) emissions for Africa and Europe (Million Tonnes CO_2eq)



The EU has introduced a policy, the Carbon Border Adjustment Mechanism, to reduce Europe's greenhouse gas emissions and support European products through the imposition of carbon duties on imported goods. It has created new markets, such as carbon bonds, to support these objectives. Introducing renewable energy produced in Tunisia to the European market will integrate Tunisia into Europe's system of guarantees of origin and carbon offsets and credit mechanisms—primarily benefiting European climate goals rather than Tunisia.

III. An alternative vision for electricity production in Tunisia, rooted in justice and sovereignty

In the previous section, we set out some of the concerns, assumptions and visions raised by the ELMED project. In this section, we will present the Working Group for Energy Democracy's alternative vision of an energy system that works for Tunisia and the climate, based on energy sovereignty and democracy.

The Working Group's rejection of ELMED is not an absolute rejection of all electricity interconnection projects, but is based on the project's potential negative implications, as outlined in this report. In addition, the Working Group has strong reservations about Tunisia being subjected to the recommendations and 'diktats' of IFIs, as well as European influence, to push the country to adopt the project to the detriment of national interests.

The electrical interconnection between Tunisia and Algeria was an example of how such a project can work in a positive way. The primary objectives for its establishment were to ensure the stability of the Tunisian and Algerian grids and to open the possibility of providing mutual support to meet the peak needs of the two countries.[33] It was designed as a balanced exchange: at the end of each year, the net energy transferred between the two countries is calculated, and any differences are adjusted, regardless of differing production costs. This is essentially an annual 'energy audit' to ensure fairness and mutual support.

However, in light of Tunisia's ongoing energy crisis and its increasing energy deficits, the interconnection has effectively become a one-way flow from Algeria to Tunisia, rather than a balanced exchange. This highlights that even in projects designed for balance, real-world conditions can create asymmetries. In contrast, ELMED was always primarily structured to benefit Europe, effectively externalizing decarbonization onto Tunisia.

This shift towards a market-based approach to energy provision is at the heart of the Working Group's criticism and rejection of the Tunisia-Italy interconnection project. The commodification of electricity and the opening of the sector to speculation threaten to undermine the principle of energy as a public right and a common good for the national community.

While it would be more beneficial to avoid such projects altogether and instead make better use of available resources by prioritizing local public production, the authorities' determination to pursue the project has prompted the Working Group to raise concerns and make recommendations to mitigate the anticipated negative impacts.

1. An alternative approach to exports

First of all, the legislation on the export of electricity is problematic. For example, it does not explicitly define how surpluses from national production should be managed or directed toward export. Several indications in the documents from ELMED funding institutions uggest that this could be done through STEG, given the obligation for it to purchase renewable electricity and the absence of any legal provision regulating or restricting such export procedures. Furthermore, the possibility of simultaneous exports by both STEG and private companies may raise concerns if the allowed capacity (600 megawatts) is exceeded, particularly regarding which actors are granted priority access to the transmission line. This issue also arises when domestic electricity demand overlaps with export commitments, as discussed in Section II 3, Energy balance.

The Working Group believes that STEG's role should be redefined by amending the 2015 Law on the Production of Electricity from Renewable Energy Sources to ensure that exports are strictly limited to surplus production and carried out exclusively through STEG. In this model, STEG would purchase surplus electricity from private producers and be the sole entity authorized to export it.

To avoid the risk that STEG would be forced to export surplus energy even in unfavourable market conditions, this approach must be supported by a comprehensive national plan for electricity generation. This plan should be grounded in detailed calculations of domestic energy needs, projected consumption patterns, and the renewable energy sources best suited to meet them.

Given that the ELMED project is going ahead, the Working Group demands that some key questions are addressed:

- What are the governance arrangements for the cable: Will its operation be delegated to a private company through a call for tenders, or will a joint structure be established between STEG and the Italian company Terna to manage and supervise the line?
- How will the tariff for access to the interconnection line be determined: will it be set by the exporting (or importing) companies, or will it be limited to the provision of a public service, offered free of charge or at a regulated rate in the public interest? Will the transmission of electricity be subject to the standard tariff for high-voltage electricity transport, as outlined in the existing regulatory texts? Or will a specific regulatory framework be developed for this case?
- Will Tunisia's share of the exported energy be paid in cash or in kind, as stipulated in the 2015 law? While the law does not specify a percentage, the Working Group believes STEG should have no less than 10 per cent of total exports, although in practice it is likely to fall between 5 per cent and 7 per cent.

These questions must have clear documented answers from the official authorities, in order to properly define what the ELMED project could offer. The Tunisian state must not give in to investor demands or submit to pressure from the European side, which will attempt to defend its interests and use all available means to do so.

2. Public domestic production as an alternative to imports

The import of electricity and substitution of imports for local production are presented as a solution to overcome Tunisia's energy crisis and reduce the financial burdens of the electricity sector.

The public body STEG is a huge asset to the country. It contributes to GDP growth and reduced dependence on foreign countries, despite its continued dependence on imported technology. It should be valued and supported. Yet after the revolutionary process of 17 December 2010 – 14 January 14, 2011, and the beginning of the so-called reforms of the IFIs, many restrictions were imposed on STEG to reduce its ability to invest, especially in production, such as limiting its share of the Tunisian solar plan to 380 MW[34] of the more than 4,000 MW planned for 2030, and not establishing a clear plan to diversify its energy sources to end the dependence on natural gas.

We should not forget that STEG is mandated to buy electricity from private producers, and carries financial burdens resulting from loans to install the necessary grid infrastructure to accommodate electricity produced from renewable sources. In this context, the ELMED project, which aims primarily at reducing STEG's productive capacities, is marketed on the understanding that it will contribute to reducing the cost of production.

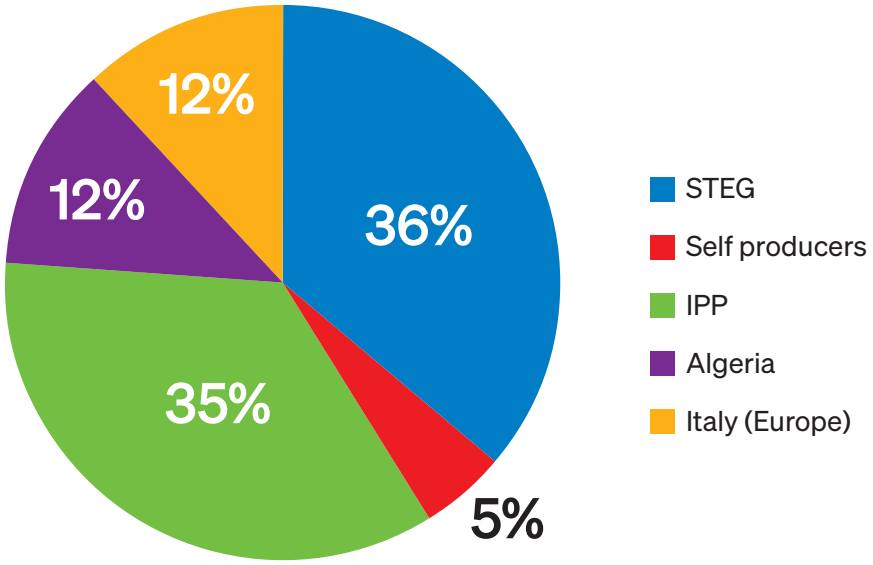
The World Bank – the largest contributor to the project – stated in its Pre-Appraisal Document: 'By connecting with the Italian market, the [Government of Tunisia] and STEG will be able to buy power from Italian generators at lower prices than the cost of producing it internally, [a hypothesis we have refuted in Section II], while avoiding additional investments in generation capacity until at least 2030. After 2030, the opportunity for Tunisia to benefit, through ELMED, from accessing the Italian market with significantly lower prices [!!!] will remain during peak hours of the Tunisian demand (while it will reduce during peak load hours in Sicily).'[35]

Such claims demonstrate the funding institutions' aim to make Southern countries mere consumers of technology and providers of raw material, in a profoundly unjust international division of labour.

STEG is being compelled, or at least expected, to import electricity, a process that actually began in 2021. Previously, imports from Algeria were limited to extreme necessity during peak demand hours or to prevent major blackouts. Today, however, electricity imports occur year-round, reaching over 10 per cent of total supply in 2023.

In the coming years, the plan includes importing electricity from Italy or, more precisely, absorbing the surplus electricity supply available on the Italian side, as discussed in Section II. 3. If the current trajectory continues, STEG's contribution to electricity production in Tunisia is expected to shrink from about 88 per cent in 2023 to 36 per cent in 2030 (Figure 11).

Figure 11: Share of net eletrical energy in Tunisia (2030)



Given the dominance of the foreign private sector in the production of renewable electricity, Tunisia's energy sovereignty is in jeopardy and the country could return to the state that existed before nationalization in 1962, when electricity production, transmission and distribution were in the hands of French companies. Relying on other countries to meet electricity needs will have implications at the sectoral and macroeconomic levels. Electricity production plays a direct and indirect role in stimulating the local economy, particularly in rural, semi-rural and peripheral regions, through the development of power infrastructure, job creation, and local resource mobilization.

As an alternative, producing electricity production in Tunisia to meet local needs has many benefits, which can be summarized as follows:

- A large part of the investments in production facilities will be made by Tunisian companies and their associated labour force, thus stimulating the economy and contributing to the circulation of money through various economic actors (state, public sector, local private sector, and local service providers).
- A share of the expenses associated with the production process—even if small—will be in local currency (Tunisian dinar), such as labour wages, exploitation and maintenance expenses, while all amounts related to imports will be in hard currency.
- Local production will not only benefit from STEG's expertise, the benefits will also extend to other Tunisian companies, which will be able to acquire new technologies and expertise. This will contribute to the expansion, diversification and strengthening of the country's industrial fabric.
- Jobs will be created for graduates from Tunisian institutes and universities through the availability of an industrial base distributed throughout the country, including in non-urban areas.

Tunisia would not be alone in rejecting interconnection projects to protect its electricity sector and preserve its energy sovereignty, as examples from two Northern European countries show.

- In March 2023, Norway rejected a planned interconnection project with Scotland because of the need to prioritize meeting national needs. The Ministry of Petroleum and Energy said, 'It is important for the government to ensure an electricity system that meets the country's electricity needs at all times. We need this hydropower and we don't want to open it up to additional exports.'
- A surge in electricity bills in Norway in winter 2022/2023 had been linked to price rises in the rest of Europe. Norway's Minister of Higher Education said, 'Norwegian energy should be used to build Norwegian industry and contribute to competitive prices in Norway. After the last two cables to foreign countries [Germany and the UK], experience has shown that we should not open the door to additional exports.'[36]
- Sweden too refused an interconnection. A planned 300-km power line that would connect Germany and Sweden across the Baltic Sea was promoted in particular by 50Hertz, one of Germany' four grid operators. The project aimed to rely on the Swedish market to help stabilize electricity prices in Germany, which are highly variable, due to its strong dependence on gas and the intermittency of renewable energy production.
- In June 2024, the Swedish government announced that it had decided not to proceed with the project. The main reason given was the mismatch between the German and Swedish electricity production systems. The Minister of Energy and Industry said: 'Sweden needs predictable conditions to build electricity generation and distribution networks that promote a competitively priced electricity system.'[37]

3. Diversify electricity production sources and explore hydropower

To ensure greater efficiency and reduce the share of fossil fuels, particularly natural gas, there is a need to diversify electricity production sources and explore alternative options. A more strategic use of the loans contracted by STEG for the ELMED project would have been to redirect them toward initiatives such as hydropower generation.

Hydropower could constitute a radical solution to Tunisia's electricity crisis and a real alternative to the import of either natural gas or electricity. Large-scale hydropower projects carried out in partnership with the public bodies in the water and agricultural sectors could drive local economies.

For example, a pumped storage hydropower project with an estimated capacity of 400 MW is currently under study. The project, led by STEG and will store renewable electricity for later use, helping to balance supply and demand during peak hours. It is expected to save approximately 250,000 tonnes of oil equivalent annually. Tunisia's hydropower resources, which can be used for water storage as well as pumped hydroelectricity production (which can be particularly useful during peak demand hours), is estimated at about 2,000 MW.[38]

When the Tunisian Solar Plan stalled (regardless of the objective reasons for this), it would have been more effective to channel the STEG's investments towards renewable energies. The €390 million borrowed could finance a photovoltaic project with a capacity equivalent to 600 MW (equivalent to the maximum power of the interconnection cable). This would accelerate the realization of the 2035 energy strategy, ease the burden of supplying natural gas to STEG, and contribute to reducing the average cost of electricity production.

Conclusion

The ELMED project is an example of all that is wrong with Tunisia's current energy policies. The Working Group for Energy Democracy has a clear vision of what is required to secure a just energy transition in Tunisia, which we have set out in this section. Achieving it will require a struggle – against the uneven balance of power and the lies and deception of neoliberal propaganda, as demonstrated by the documents promoting the ELMED project which we have examined in this report.

It is not a simple matter of means and resources, but of political and economic orientations and the willingness of the decision-makers and other patriotic players to face up to some big questions: Do we want to build a national economy that breaks with dependency and is self-reliant? Or will we follow the diktats of IFIs and submit to Northern dominance?

The answer to this question may be difficult for some, but the Working Group for Energy Democracy, takes inspiration from El Chebbi's[39] words:

Once the people summon the will to live,
Destiny is bound to answer their call.
Night is also bound to clear away,
And the shackles doomed to destruction.

Tunisia and the ELMED Project:

Electricity interconnection or interconnection with the European electricity agenda?

The electricity interconnection project between Tunisia and Italy – ELMED – is part of the European Union's drive to ensure the supply of energy from neighbouring countries. It also enshrines Tunisia's policy of opening its electricity market, liberalizing electricity prices, and attracting foreign investments. As such, it perpetuates the neoliberal narrative and reinforces neo-colonial mechanisms in the Arab region.

Therefore, the Working Group for Energy Democracy deemed it necessary to address the issue, especially given that labour unions within the Tunisian Electricity and Gas Company (STEG) have repeatedly expressed their reservations and rejection of the project.

This document is issued by the Working Group for Energy Democracy in collaboration with the Transnational Institute (TNI).

Endnotes

1 Ben Ammar, Ilyes (2022) *Towards a just energy transition in Tunisia: How to develop a democratic energy model that breaks with the current approach to renewable energy production.* Amsterdam: Transnational Institute.

2 ELMED Project website. https://elmedproject.com

3 Mosaïque FM (22 February 2023) 'Italian ambassador in Tunisia: The Tunisia–Italy electricity interconnection 'ELMED' is the project of the century'. Available at: https://rb.gy/75qx4s

4 Tunisian Ministry of Industry, Mines and Energy (2023) *Conjoncture Énergétique: Rapport Mensuel*. Tunis. Available at: https://www.energiemines.gov.tn/fileadmin/docs-u1/Conjoncture_%C3%A9nerg%C3%A9tique_d%C3%A9cembre_2023___v_2024_.pdf

5 Ibid.

6 Agora Energiewende (2014) *12 Reflections on Energy Transition*. Berlin: Agora Energiewende. Available at: https://www.agora-energiewende.de/fileadmin/Projekte/2012/12-Thesen/Agora_12_Insights_on_Germanys_Energiewende_web.pdf

7 Negative prices: When there is a surplus in electricity production, meaning that supply exceeds demand, especially at the peak of renewable energy production. In order to ensure grid stability and avoid having to shut down production lines, producers resort to offering payments to other producers or consumers to either increase demand or reduce the volume of energy supplied.

8 Werenfels, I. and Westphal, K. (2010) *Solar Power from North Africa: Frameworks and Prospects*. SWP Research Paper, No. 3. Berlin: Stiftung Wissenschaft und Politik. Available at: https://www.econstor.eu/bitstream/10419/253102/1/2010RP03.pdf

9 Independent power producers are privately owned entities that generate electricity independently of public utilities.

10 Turki, H. (1999). *Les réformes institutionnelles du secteur électrique: le cas de la Tunisie*. Institut de l'Énergie et de l'Environnement de la Francophonie (IEPF), Organisation Internationale de la Francophonie, Numéro 44-3, 3e trimestre. Available at: https://ifdd.francophonie.org/media/docs/publications/77_lef44.pdf

11 Presentations on the ELMED project: (1) by the Independent Energy Production Team under the relevant Tunisian ministry, dated 6 October 2008; and (2) by the ELMED Studies Company, established through an agreement between STEG and the Italian company Terna to oversee the interconnection project.

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The Working Group for Energy Democracy – Tunisia is a grassroots dynamic linking trade unionists with community groups, social movements and civil society organisations in the struggle for energy democracy.

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