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The Cairo criminal court sentences former president Mohamed Morsi (2012-2013) to death on charges related to a 2011 prison escape. The court also hands the sentence to other defendants including Muslim Brotherhood leader Mohammed Badie. The electricity ministry signs seven memorandums of understanding for renewable projects worth \$500m during the Middle East Solar Industry Association trade mission. The Egyptian Natural Gas Holding Co (EGAS) invites bids to lease a second floating liquefied natural gas (LNG) import terminal. The Islamic Development Bank (IDB) refutes international media reports that it had threatened to cut financing to Egypt.

Court sentences former president Morsi to death

The Cairo criminal court on 16 May handed down preliminary death sentences to former president **Mohamed Morsi** (2012-2013) and 100 other defendants for their involvement in a prison escape in 2011.¹ The sentence will increase international criticism of the increasingly authoritarian direction of Egypt under President **Abdel Fattah Al-Sisi** (2014- present) but sanctions are unlikely. The trial relates to the January 2011 revolution that ousted former president **Hosni Mubarak** (1981-2011). Security forces detained Morsi and **Muslim Brotherhood** leaders before the uprising started on 25 January. On 28 January, protesters set fire to police stations allowing the release of prisoners including Morsi. The other defendants in the mass trial included Muslim Brotherhood leader **Mohammed Badie**, his deputy **Khairat al-Shater** and **Essam el-Erian**, leader of the **Freedom and Justice Party**.² The court tried members of **Occupied Palestinian Territories**-based militant group **Hamas** in absentia. Hamas members were amongst the prisoners who escaped but the group denies any involvement in the 2011 uprising. The court referred the death sentences to the grand mufti (senior Muslim cleric) who will issue a non-binding ruling on their compatibility with Islamic law in early June.³ The defendants also have the right of appeal. A separate espionage case against Morsi continues, with a ruling also expected in June.

The mass trial triggered international condemnation with NGOs including **Amnesty International** issuing condemnatory statements.⁴ The **United States**,⁵ **European Union**,⁶ **United Nations**⁷ and **Turkey**⁸ all condemned the ruling. It also resulted in increased domestic tensions. The pro-Morsi **National Alliance to Support Legitimacy** criticised the sentences as politically motivated.⁹ After the ruling, gunmen in the **Sinai Peninsula** shot dead two judges and a prosecutor travelling to **El-Arish** for a court hearing.¹⁰

The Egyptian judicial system remains heavily politicised and reform is unlikely.

“... any substantial reform would involve looking at the use of military trials which the government daren't. I had hoped that Sisi – considering his historical links to the military – would be the one

1 Egyptian Independent, 16 May 2015.

2 Egyptian Independent, 16 May 2015.

3 Egyptian Independent, 16 May 2015.

4 Amnesty International press release, 18 May 2015.

5 Reuters, 16 May 2015.

6 Al Ahram, 16 May 2015.

7 United Nations press release, 17 May 2015.

8 AFP, 16 May 2015.

9 Al Ahram, 16 May 2015.

10 AFP, 16 May 2015.

president with the standing and authority to move to reduce the military's influence in the judiciary as well as the economy but he's proved singularly unwilling to.”¹¹

Sisi in October 2014 issued a decree extending the use of military tribunals with a vague provision by putting all “*public and vital facilities*” under military jurisdiction. The decree directed the state prosecutor to refer all crimes committed in these environs to their military counterparts.

“I have campaigned against military tribunals since my own [military] detention [in 2011]. The judge, a serving military officer as they all are, accused me of ‘being unpatriotic’ before even giving a [cursory] look at the charges against me. There was no time for evidence and I’ve not been able to access my paperwork since.”¹²

The judiciary’s crackdown is likely to continue. Sisi appointed hardline former appeals court judge **Ahmed el-Zend** as justice minister on 20 May. Zend is a vocal critic of the Muslim Brotherhood and the judiciary-led crackdown on Islamist officials and activists is likely to continue.

Zend’s predecessor **Mahfouz Saber** resigned on 11 May following comments perceived as elitist that he made in a television interview.¹³ Saber stated that children of cleaners could not become judges who are “*lofty and have status... [and come from] a respectable milieu*”.¹⁴ The comments triggered social media criticism, while a group of activist lawyers, **Haqaniyah**, called for prosecutors to investigate Saber on charges of inciting hatred and violating the constitution.¹⁵ While the Egyptian constitution prohibits discrimination on class, the judiciary in 2014 rejected 138 applicants to the prosecution service as their fathers did not hold university degrees. Prime minister **Ibrahim Mahlab** accepted Saber’s resignation on the same day it was proffered.¹⁶

Sisi has portrayed himself as a champion of Egypt’s poor, while under Mubarak Egypt’s political and military elite benefited from their status to develop their own business interests. On 9 May, a court sentenced Mubarak and his sons **Gamal** and **Alaa** to three years imprisonment and a \$16.3m fine on corruption charges.¹⁷ The charges related to the diversion of state funds to renovate their private residences.

Government signs renewable energy contracts amid continuing energy shortages

The government remains under intense political pressure to resolve the acute energy shortage that Egypt is facing.¹⁸ The electricity ministry signed seven memorandums of understanding with five companies for renewable projects worth \$500m during the **Middle East Solar Industry Association** trade mission that visited Cairo from 27-28 April.¹⁹ All seven projects are located on government-owned land in **Aswan Governorate** and **Suez Governorate**. **United Arab Emirates (UAE)-based Access Power MEA** will construct a 65 megawatt (MW) solar plant and 50MW wind farm. Egyptian company **Orascom Construction** and **Saudi Arabia-based Alfanar** will each construct 50MW solar plants as well as 50MW wind farms. Egyptian companies **Sun Infinite** and **Gila Al Tawakol Electrical** will construct 50MW and 20MW solar projects.

The energy shortage in Egypt has opened up opportunities for investors in the energy sector, with the government viewing renewables as part of the solution. However, despite the renewable energy agreements, there is uncertainty about electricity minister **Mohamed Shaker**’s commitment to renewable energy.²⁰ Shaker reportedly considers renewables as prohibitively expensive.²¹ The **Supreme Energy Council** aims

¹¹ Source, thank tank executive, Egypt

¹² Source, NGO activist, Egypt

¹³ MENA, 11 May 2015.

¹⁴ MENA, 11 May 2015.

¹⁵ Reuters, 11 May 2015.

¹⁶ MENA, 11 May 2015.

¹⁷ Al Ahram, 9 May 2015.

¹⁸ Source, energy sector careerist, Egypt

¹⁹ www.pv-magazine.com

²⁰ Source, energy sector careerist, Egypt

²¹ Source, energy sector careerist, Egypt

to increase the contribution of renewable energy to 20% of the total energy generated by 2020.²² Hydropower will account for 6%, wind 12% (equivalent to 7,200MW), with solar and other sources accounting for 2%.²³ The **New and Renewable Energy Authority (NREA)** considers the most promising sites for wind energy in the **West Suez** area and on either side of the **River Nile** in **Beni Suef** and **Menia Governorates** and the **El-Kharga Oasis** in the **New Valley Governorate**.²⁴ Of the 7,200MW, the NREA plans to establish wind farms with a 2,375MW capacity and looks to private sector companies to meet the remaining capacity typically through 20-25 year build-own-operate (BOO) agreements.

The energy sector remains highly politicised. Shaker does not have an entirely free hand to act, with Sisi imposing constraints upon him.²⁵ These include not impinging upon the military's interests and avoiding damage to diplomatic relations with the UAE and Saudi Arabia. Key considerations for investors include Egypt's relationship with the **Gulf States**, and changes in the way the government engages with foreign investors under the Sisi administration. The pressure on the government to address the acute power shortage means that investors from outside the Gulf States will require,

*“either local backers or [to] bring something that the Egyptian government needs so badly that it will trump its obligation to meet the expectations of its financial supporters in the Gulf”.*²⁶

Non-payment is the greatest risk to investments in Egypt's energy sector and the risk exists throughout the energy chain.²⁷ The government obliges power producers to sell to it, but typically does not meet its payment obligations on time.²⁸ State-owned enterprises and companies close to the Egyptian armed forces benefit from access to subsidised energy and the non-enforcement of late payments.²⁹

Government hopes LNG imports will address energy shortages

The government is looking beyond the renewables sector to address the energy crisis. The **Egyptian Natural Gas Holding Co (EGAS)** invited bids from nine international companies to lease a second floating liquefied natural gas (LNG) import terminal.³⁰ LNG imports are crucial to cover a shortfall in natural gas supply for power generation. Egypt secured its first terminal from **Norway-based Höegh LNG** in April. EGAS said the second floating and regasification unit will join the Höegh facility at **Ain el-Sokhna (Gulf of Suez)** in August.³¹ The five-year contract will cover 42 cargoes of LNG annually, with each cargo between 140,000 and 170,000 cubic metres.³² The Höegh facility received its third cargo in mid-May.³³ The Höegh LNG terminal will receive weekly deliveries over the next six months for a total of 90 cargoes ordered from international suppliers including **Russia-based Gazprom**, **Switzerland-based Trafigura** and **Vitol**, and **United Kingdom-based Noble Energy**.

Islamic Development Bank pledges continued support

The **Islamic Development Bank (IDB)** on 30 April refuted international media reports that it had threatened to cut financing to Egypt unless it repays its debts.³⁴ IDB concerns about whether Egypt is able to meet its debt obligation would prove contagious to other multilateral institutions. **Bloomberg** on 26 April reported that IDB financial support to Egypt stands at \$1.3 billion, a breach of an internal exposure cap.³⁵ IDB has also invested an additional \$10.9 billion in continuing infrastructure projects including the **Sharm**

22 Source, energy sector careerist, Egypt

23 Source, energy sector careerist, Egypt

24 Source, energy sector careerist, Egypt

25 Source, energy sector careerist, Egypt

26 Source, energy sector consultant, Egypt

27 Source, energy sector consultant, Egypt

28 Source, energy sector consultant, Egypt

29 Source, energy sector consultant, Egypt

30 Egyptian Independent, 5 May 2015.

31 Egyptian Independent, 5 May 2015.

32 Egyptian Independent, 5 May 2015.

33 Egyptian Independent, 5 May 2015.

34 www.arabnews.com

35 Bloomberg, 26 Apr 2015.

El-Sheikh International Airport and an oil refinery in **Asyut Governorate**.³⁶ Bloomberg quoted IDB infrastructure director **Walid Abdelwahab** as saying that Egypt would need to complete these projects and begin loan repayments before the IDB extended additional credit or completed new investments.³⁷ IDB president **Ahmad Mohamed Ali** on 30 April denied the allegations, praising the IDB's portfolio in Egypt and citing Egypt's history of meeting the IDB's repayment schedules.³⁸ Ali also noted that a partnership strategy between Egypt and the IDB is ready for signature.³⁹

Implications

The Morsi sentence and the appointment of Zend suggest that Egypt will continue to struggle to accommodate political Islam. Political Islam as an organised force has lost broad appeal in Egypt following its failure to transition from an outsider opposition role. Nevertheless, failure to accommodate it within formal political institutions will encourage manifestations outside including violent protests. Inequality in Egypt also increases the long-term risk of a popular backlash by a population frustrated at a lack of meritocracy. The judiciary will remain political and subservient to the government.

Increased investment in the energy sector will eventually lift a key bottleneck to business activity in Egypt. Investors will remain wary, especially of strategic, heavily politicised sectors such as energy.

Continued bilateral and multilateral support from **The Gulf** is key to the development of Egypt's infrastructure and to secure sufficient foreign currency funds for Egypt to meet its short-term fiscal and external financing requirements.

³⁶ Bloomberg, 26 Apr 2015.

³⁷ Bloomberg, 26 Apr 2015.

³⁸ www.arabnews.com

³⁹ www.arabnews.com