

## AFRICA RISK CONSULTING

### Morocco Monthly Briefing May 2024

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#### Morocco Summary 21 May 2024

*Morocco and the World Bank sign a Rapid Response Option (RRO) agreement on 20 May, marking an important step in the country's ability to respond to emergencies and provide crucial support to citizens. Casablanca-based ETAFAT on 10 May commences onshore topographic surveys for the \$25 billion Nigeria-Morocco Gas Pipeline's (NMGP) northern region. United States (US)-headquartered energy company GE Vernova Inc announces on 30 April a \$10.2m investment in United Kingdom (UK)-headquartered Xlinks First, which is planning a large-scale renewable power project in Morocco.*

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#### Morocco and World Bank sign rapid response option agreement...

Finance minister **Nadia Fettah** and the **World Bank's Maghreb** country director **Jesko Hentschel** signed a **Rapid Response Option (RRO)** agreement on 20 May, marking an important step in developing Morocco's ability to respond to emergencies and disasters and support its citizens.<sup>1</sup> The signing ceremony occurred during a working meeting with the World Bank's **Middle East and North Africa (MENA)** vice president **Ousmane Dione**, who is visiting Morocco from 18 to 21 May. The RRO is a key component of the World Bank's crisis preparedness and response toolkit and is designed to help member countries use their allocated funds from existing World Bank portfolios more quickly and effectively during times of crisis.<sup>2</sup> Under the signed agreements, Morocco can access up to 10% of its undisbursed World Bank portfolio for rapid response actions.<sup>3</sup>

In an interview after the signing ceremony, Fettah stressed the importance of the strategic partnership between the two, saying that the RRO is unique and the first of its kind in the MENA region.<sup>4</sup> Dione also said his visit is aimed at bolstering the long-standing and robust partnership between Morocco and international financial institutions.<sup>5</sup>

The RRO agreement with the World Bank will strengthen its capacity to manage and mitigate the impact of crises, such as the 8 September 2023 6.8 magnitude earthquake. The earthquake was the strongest to strike Morocco in 120 years, killing almost 3,000 people and leaving 300,000 without housing. It caused at least 120 billion dirhams (\$11.7 billion) in damages. The flexible RRO mechanism will also allow the government to quickly provide essential services such as shelter, healthcare and food to communities impacted by emergencies or disasters.<sup>6</sup>

#### Nigeria-Morocco gas pipeline topographic surveys kick off in northern section...

**Casablanca-based ETAFAT** on 10 May commenced the onshore topographic surveys for the \$25 billion **Nigeria-Morocco Gas Pipeline's (NMGP)** northern region, which includes Morocco, **Mauritania** and **Senegal**, marking a key milestone in the project's development.<sup>7</sup> ETAFAT and its joint venture partner, **French** construction company **Fondasol**, are overseeing the NMGP.

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<sup>1</sup> North African Post, 20 May 2020; Morocco World News, 20 May 2024

<sup>2</sup> Morocco World News, 20 May 2024

<sup>3</sup> Morocco World News, 20 May 2024

<sup>4</sup> Morocco World News, 20 May 2024

<sup>5</sup> North African Post, 20 May 2020; Morocco World News, 20 May 2024

<sup>6</sup> North African Post, 20 May 2020; Morocco World News, 20 May 2024

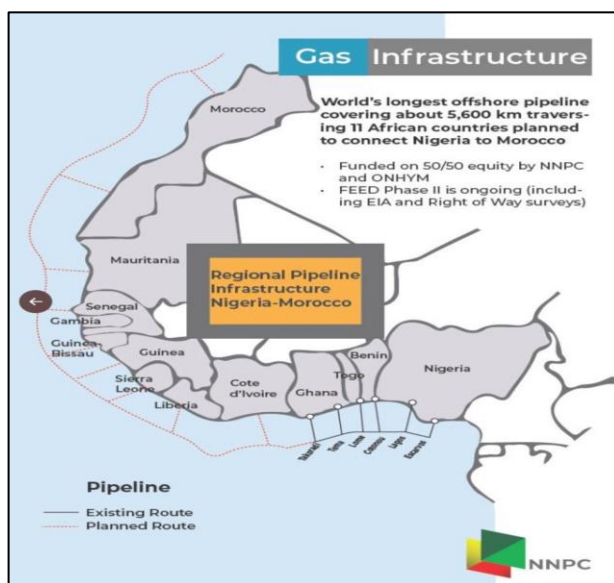
<sup>7</sup> Morocco World News, 11 May 2024

The launch meeting of the survey operations took place on 10 May between the **Office National des Hydrocarbures et des Mines (ONHYM)** (national office of hydrocarbons and mines) and the **Nigerian National Petroleum Corporation (NNPC)**.<sup>8</sup> Nigeria's energy minister, **Ekperikpe Ekpo**, announced in November 2023 that construction of the NMGP, which could supply fuel to **Europe**, is scheduled to begin in 2024, and the surveys lay the groundwork for this.<sup>9</sup>

During the meeting, ETAFAT shared operation images of the first operations undertaken and this initial phase is key to defining the most suitable route for the pipeline.<sup>10</sup> ONHYM also announced that the 13 **Economic Community of West African States (ECOWAS)** countries involved in the NMGP are expected to sign a final investment decision in 2025.

The 5,600km-long gas project will span more than 11 countries along Africa's **Atlantic** coast, aiming to benefit over 400 million **West African** inhabitants and improve energy infrastructure in the region.<sup>11</sup> Morocco will house 1,672km of the pipeline.<sup>12</sup> The **Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development** and the **Saudi Arabia-based Islamic Development Bank (IDB)** pledged nearly \$60m to fund feasibility and engineering studies for the pipeline, which was first conceived in 2016 and is one of the most ambitious energy projects in the world.<sup>13</sup> Once completed, the NMGP will be the second longest pipeline in the world after **China's West-East Gas Pipeline**.<sup>14</sup> If the pipeline progresses, it will take 25 years to complete and could be a primary gas source for West Africa.

Gas from the pipeline will also be a much cheaper and more accessible alternative for Morocco given that political tensions with neighbouring **Algeria** over **Western Sahara** resulted in **Algiers** closing the **Maghreb-Europe** gas pipeline in October 2021 (*see ARC Briefing Algeria Nov 2021*). This pipeline was a key source of energy for both Morocco and **Spain**.



Source: NNPC

<sup>8</sup> ETAFAT, 10 May 2024

<sup>9</sup> Morocco World News, 28 Nov 2023

<sup>10</sup> Morocco World News, 11 May 2024

<sup>11</sup> Morocco World News, 6 Dec 2022

<sup>12</sup> Morocco World News, 6 Dec 2022

<sup>13</sup> Bloomberg, 15 Sep 2022

<sup>14</sup> Morocco World News, 28 Nov 2023

## UK-Morocco renewable energy plan gets \$24.3m boost

**United States (US)**-headquartered energy company **GE Vernova Inc** announced on 30 April that it will invest \$10.2m in **United Kingdom (UK)**-headquartered **Xlinks First**, which is planning a large-scale renewable power project in Morocco. The project will utilise a 3,800km undersea cable to deliver energy from solar and wind power farms in Morocco to the UK.<sup>15</sup> The Nigeria-based **Africa Finance Corporation (AFC)** also announced on 23 April that it would invest \$14.1m into the ambitious project.<sup>16</sup>

Xlinks First CEO **James Humfrey** said on 30 April that AFC and GE Vernova's investment helped close the latest funding round for the company, bringing the amount raised to date to \$110m.<sup>17</sup> It is an incremental but important step for the company as it advances the project that it estimates will cost £24 billion (\$30.1 billion). GE Vernova and AFC join a list of key investors that have confirmed millions in funding for the ambitious project - **Abu Dhabi National Energy** (also known as **Taqva**) and UK renewable energy group **Octopus Energy** announced in April 2023 that they would fund the interconnector project for £30m (\$37m).<sup>18</sup> **French** oil giant **TotalEnergies** is also injecting £20m (\$21.5m) into the project. The UK's energy security department and UK technology firm **Net Zero** have also formed a team to work with Xlinks First on the ambitious project.<sup>19</sup>

When constructed, the cable will be the longest in the world, passing through **Portugal**, Spain and France.<sup>20</sup> A 10.5 gigawatts (GW) facility of new wind and solar farms in southern Morocco will provide the power and be aided by 5GW of battery storage.<sup>21</sup> Xlinks said in April 2023 that the UK would receive 3.6GW of electricity generated from the project which represents nearly 8% of the UK's current power demand, enough to power seven million homes.<sup>22</sup>

Xlinks First aims to complete the project by 2030 and believes that it will deliver energy at a much cheaper cost to UK consumers than current wholesale prices.<sup>23</sup> With its steadier supply of wind and sunlight, investors expect that Morocco can guarantee the UK a reliable and cheap green power, particularly during times when the UK's output dips.<sup>24</sup> However, Humfrey said that the Xlinks First project is still in the development stage, and the company intends to use most of its raised funds to conduct detailed surveys along the route where it plans to lay its cable.<sup>25</sup>

For Morocco, the Xlinks First project is expected to create 10,000 jobs domestically and fits into the government's plan to raise the share of renewable sources to more than 52% of the national electricity mix by 2030.<sup>26</sup> Energy minister **Leila Benali** said on 16 May that the country plans to boost its renewable energy capacity to 11 gigawatts (GW) by adding 6.5GW over the next four years, as it also invests in gas and green hydrogen.<sup>27</sup> Renewable energy sources represent approximately 40% of Morocco's energy mix but the country plans to bolster that share to 52% before 2030.<sup>28</sup>

Besides its plans for renewables, Morocco also aims to increase the share of gas in its energy mix by investing in ports, liquefied natural gas (LNG) terminals and pipelines.<sup>29</sup> The government has also picked the port of **Nador**, a commercial port on the **Mediterranean** servicing northern Morocco, as the site area for the construction of an LNG infrastructure and a pipeline to connect it with the

<sup>15</sup> Bloomberg, 30 Apr 2024; North Africa Post, 30 Apr 2024

<sup>16</sup> Bloomberg, 23 Apr 2024

<sup>17</sup> Bloomberg, 30 Apr 2024

<sup>18</sup> Middle East Monitor, 27 Apr 2023

<sup>19</sup> Bloomberg, 26 Apr 2023

<sup>20</sup> Xlinks First, 26 Apr 2023

<sup>21</sup> Middle East Monitor, 27 Apr 2023; Bloomberg, 26 Apr 2023

<sup>22</sup> Bloomberg, 26 Apr 2023

<sup>23</sup> Xlinks First, 26 Apr 2023

<sup>24</sup> Bloomberg, 30 Apr 2024

<sup>25</sup> Bloomberg, 30 Apr 2024

<sup>26</sup> Energy & Utilities, 22 Feb 2023

<sup>27</sup> North Africa Post, 17 May 2024

<sup>28</sup> North Africa Post, 17 May 2024

<sup>29</sup> North Africa Post, 17 May 2024

Maghreb-Europe pipeline.<sup>30</sup> Benali confirmed that Morocco has started producing gas at a small scale in offshore fields in the northwest and onshore fields in the country's eastern region.<sup>31</sup> It also plans to connect **Dakhla**, in southern Morocco, to Casablanca through a 3GW powerline connection. Benali emphasised that Morocco is well-positioned to push through its energy transition plans due to its regulatory framework and investments already made to develop the grid.

Morocco's plans to develop its energy mix is a notable development that should be praised, particularly in light of the **European Bank for Reconstruction and Development's (EBRD)** report published on 16 May that warned that high dependence on energy imports and seasonal agricultural production makes its economy vulnerable to climate risks.<sup>32</sup> However, EU foreign policy chief **Josep Borrell** cautioned Morocco in January 2023 against investing in major gas projects, such as the NMGP, as the EU is uncertain if it will still want to buy gas in the next 25 years.<sup>33</sup> Borrell suggested that Morocco should instead focus efforts on its enormous wind and solar energy potential as well as selling hydrogen supplies to Europe.<sup>34</sup> If Morocco intends to export its gas supplies, then it should proceed cautiously and maybe focus on boosting renewable sources even more than its planning.

## Planner

2026 (**Morocco**) General election

## Chronology

20 May 2024 **Rabat (Morocco)** *Anadolu Agency*. The 20th edition of the **African Lion** military exercise, hosted by Morocco and the **United States** armies, begins, joined by 7,000 elements of armed forces from 20 **African** and **North Atlantic Treaty Organisation (NATO)** countries;

20 May 2024 **Rabat (Morocco)** *Morocco World News*. Morocco's **National Tourism Office (MNTO)** has signed a five-year partnership with the global travel operator **TripAdvisor**, to increase overnight stays in Morocco;

19 May 2024 **Casablanca (Morocco)** *Middle East Monitor*. Thousands of Moroccans take part in a **Palestinian** flag march to demand an end to the aggression against **Gaza** and call for an end to normalisation with **Israel**;

16 May 2024 **Rabat (Morocco)** *The North Africa Post*. The **European Bank for Reconstruction and Development (EBRD)** expects Morocco's economic growth to reach 3% in 2024, before rising to 3.6% in 2025, supported by a recovery in external demand and government investment;

16 May 2024 **Rabat (Morocco)** *The North Africa Post*. Energy minister **Leila Benali** says Morocco is planning to add 6.5GW of renewable energy by 2027, bringing the country's renewable energy capacity to 11GW;

14 May 2024 **Rabat (Morocco)** *The North Africa Post*. The **United States**-based **Fitch Solutions Company** says in its latest business monitoring report that Morocco's tourist arrivals are expected to reach 16.8 million in 2024 against the 14.5 million recorded in 2023;

8 May 2024 **Rabat (Morocco)** *Morocco World News*. **China's Zhejiang Hailiang Co.** announces plans to build a \$288m copper plant in Morocco to manufacture new energy materials, including lithium-battery foil;

<sup>30</sup> North Africa Post, 17 May 2024

<sup>31</sup> North Africa Post, 17 May 2024

<sup>32</sup> European Bank for Reconstruction and Development, 16 May 2024

<sup>33</sup> France24, 1 Mar 2023

<sup>34</sup> France24, 1 Mar 2023

7 May 2024 **Casablanca (Morocco)** *Morocco World News*. King **Mohammed VI** welcomes Prince **Turki bin Mohammed Al Saud**, the **Saudi** state minister and envoy of King **Salman bin Abdulaziz Al Saud**, to the royal palace;

6 May 2024 **Rabat (Morocco)** *The North Africa Post*. The **Office des Changes** reports the trade deficit dropped to MAD 61.9 billion (\$6.1 billion) in March, down 14.6% thanks to higher exports and lower imports;

4 May 2024 **Cairo (Egypt)** *Middle East Monitor*. **Saudia Arabia**, Egypt and **Morocco** call for an immediate ceasefire in **Gaza** during the 15<sup>th</sup> session of the **Organisation of Islamic Cooperation**;

4 May 2024 **Rabat (Morocco)** *Morocco World News*. Exchange office data indicate that Morocco has become the primary exporter of cars to the **European Union (EU)**;

2 May 2024 **Rabat (Morocco)** *Morocco World News*. **Parti de la Justice et du Développement (PJD)** secretary general **Abdelilah Benkirane** says civil servants should receive MAD 10,000 (\$1,008) with labourers not to be paid less than MAD 5,000 (\$504) monthly;

29 Apr 2024 **Rabat (Morocco)** *The North Africa Post*. Government agrees to union demands to raise the minimum wage by MAD 1,000 (\$100) for the public sector, following the conclusion of the second session of the social dialogue that began approximately one month ago;

28 Apr 2024 **Casablanca (Morocco)** *Business Insider Africa*. **France** says it will financially back Morocco's 3-gigawatt power link that would connect Casablanca to **Dakhla** in **Western Sahara**;

28 Apr 2024 **Rabat (Morocco)** *Morocco World News*. Equipment minister **Nizar Baraka** is re-elected as the secretary general of the **Al Istiqlal** party;

27 Apr 2024 **Rabat (Morocco)** *Morocco World News*. Industry and trade minister **Ryad Mezzour** hosts his French counterpart, **Bruno Le Maire**;

23 Apr 2024 **Rabat (Morocco)** *Bloomberg*. State-owned phosphates giant, the **OCP Group**, is teeing up bond sales and could potentially list its chemicals business as part of efforts to raise between \$5 billion and \$7 billion for decarbonisation efforts;

### About Africa Risk Consulting:

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