

Is the German project to construct solar power plants in Africa threatened?

Konrad Popławski

On November 12, the German company Bosch announced that it intended to withdraw from the Desertec project as a technological partner. This follows the announcement by Siemens, one of the main initiators of the project, to sell off its shares in the consortium. Furthermore, the agreement between the governments of Germany, France, Morocco, Malta and Luxembourg regarding the construction of the first solar power plant has recently fallen apart due to objections from Spain. Desertec is a German political and economic flagship project and it also involves companies from other countries. Under this project solar power plants would be built in the deserts of North Africa, mainly in Morocco, Algeria and Tunisia and the electricity produced there would be transported to Europe through Spain and Italy. To this end a consortium was established in 2009 including such German companies as E.ON, RWE, Munich RE, Siemens as well as companies from other European and African countries which are planning investments worth 400 billion euros and envisage the production of electricity accounting for 15-20% of Europe's demand in 2050.

Commentary

- Desertec is an important project for Germany. From the political point of view this initiative is meant to show Germany's strong commitment to promoting the use of renewable sources of energy and to supporting economic growth in African countries. Furthermore, this project is intended to support Germany's concept of Energy Revolution which envisages increasing the share of renewable sources of energy in countries' energy balances, climate protection, heightened security of supplies and diversification of energy supply sources to Europe (made possible thanks to greater integration of African and European energy networks). Additionally, the Desertec project, which involves mainly German companies, was intended to be a profitable investment for Germany's economy and aimed at strengthening Germany's reputation as the leader in the technology leader for renewable energy production.
- The withdrawal of two of the companies important to the project stems from two reasons. Firstly, due to competition from China and the reduced volume of subsidies this year for solar constructions in many EU countries, the situation of producers has deteriorated substantially. Therefore, the two companies intend to withdraw entirely from

this sector, seeing more attractive opportunities for investments in the German Energy Revolution, including investments in wind power plants. Secondly, despite three years elapsing since the formation of the Desertec consortium, its activities have not produced any tangible results. Additionally, the implementation of the project may be delayed considerably and the companies involved during times of economic crisis have no desire to allocate larger resources to risky investments.

- The withdrawal of the two companies does not mean the failure of the project itself but sends a signal to the government that it must provide more assistance to the consortium. In this context it can be expected that Germany will increase pressure on the EU institutions to support those infrastructure investments important to Desertec (e.g. the expansion of energy networks linking Morocco and Spain) and to expedite the signing of adequate legal regulations with the project's partner countries. The possibility that Germany will agree to let Chinese companies enter the Desertec project cannot be ruled out – an eventuality which the German press has been speculating about. However, there are concerns that this scenario will limit the importance of domestic companies and may also result in unintended technology transfer to China.