



THE ITALIAN CLIMATE CHANGE THINK TANK



ITALY AS A CLEAN ENERGY HUB IN THE MEDITERRANEAN

RECONCILING OPPORTUNITIES AND CHALLENGES WITH NORTH AFRICAN PARTNERS

POLICY PAPER
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1 EXECUTIVE SUMMARY

Since 2022, a succession of shocks has re-established energy as a structural geopolitical and economic risk, reinforcing energy security as a systemic issue tied to economic resilience and industrial policy, and accelerating the shift from traditional buyer-supplier energy relationships toward deeper industrial and clean-energy cooperation. The Mediterranean sits at the centre of this shift, as a critical interface between European and North African energy systems, reflected in EU frameworks such as the New Pact for the Mediterranean, T-MED and Global Gateway.

Italy has progressively expanded its own engagement with North Africa beyond traditional energy diplomacy toward renewables, industrial partnerships and broader energy-transition cooperation, with a sharp acceleration in the last five years, albeit driven mainly by high-level frameworks and large national champions rather than systemic, coordinated action.

Given this context, it is interesting to understand how Italy (and the Italian System (*Sistema Italia*) more broadly) can strengthen its role as a clean energy partner for North Africa by better aligning political ambition, industrial capacity and financial instruments with the priorities of partner countries and the evolving European framework.

Answering this question first requires understanding what actually drives the energy transition on the other shore of the Mediterranean. There, renewable energy deployment is driven less by decarbonisation goals than by energy security, industrial development and macroeconomic priorities. Countries face common constraints: transmission and storage infrastructure still lags behind deployment, financing costs for clean energy projects run two to three times higher than in advanced economies due to sovereign risk and currency exposure, and technical and grid-related skills gaps persist despite a skilled workforce. A growing debate also centres on domestic value creation versus export-oriented models: large-scale export or hydrogen projects can attract investment, but risk political and social pushback if not visibly anchored in local economic benefit and trust-based environments.

To capture how Italy is actually perceived within these dynamics, in the framework of the project '*Clean energy hub in the Mediterranean - Reconciling opportunities and addressing challenges together: the Sistema Italia and North African partner countries*', supported by the Unit for Analysis, Policy Planning, Statistics and Historical Documentation of the Italian Ministry of Foreign Affairs and International Cooperation, ECCO and RES4Africa have carried out more than 40 semi-structured interviews between October 2025 and June 2026 with key local and Italian stakeholders on the ground across Morocco, Algeria, Tunisia and Egypt.

Several insights emerged from the discussions. **First**, a uniform regional approach is unlikely to be effective, and successful engagement instead requires a country-specific awareness that aligns Italian foreign policy and investment priorities with local industrial strategies and development objectives. **Second**, sustained market presence increasingly depends on the ability to deploy integrated, in-country engagement models that combine financial instruments, industrial partnerships, technical cooperation and long-term operational continuity. **Third**, partner expectations are remarkably consistent across markets – long-term commitment, integrated offers, local value creation, capacity strengthening and institutional predictability. Italy's political goodwill is a genuine asset to draw on, but it opens doors rather than closes deals. **Fourth**, while Italy's footprint in the region is expanding, interlocutors describe it as still structurally limited by thin private-sector

anchoring – a gap Italian stakeholders themselves recognise, with a perception that Italy has not fully kept pace with how quickly market conditions are evolving.

Taken together, these findings suggest that Italy does not need to reinvent its approach to North Africa, but to translate its growing political ambition into a more coordinated, long-term and country-specific operational presence, according to the following recommendations.

CROSS-COUNTRY RECOMMENDATIONS

- 1. Close the gap between political ambition and operational engagement.** Match Italy's diplomatic momentum with stronger operational anchoring on the ground: local presence, institutional support and closer ties between large industrial players and SMEs.
- 2. Design a country-tailored 'Energy Transition Diplomacy', anchored in industrial strategy.** Treat energy diplomacy as industrial diplomacy, adapting engagement models to each market's maturity: full-spectrum competition in mature ecosystems, institutional and de-risking support in more constrained markets, and relationship-building where oil and gas players dominate.
- 3. Support the 'Energy Transition Diplomacy' with a competitive, country-tailored financial offer.** Strengthen and better align Italy's financial toolkit (CDP, SACE, SIMEST, AICS) with partner-country needs, and connect it to EU funding instruments such as the next European Multiannual Financial Framework and Global Europe.
- 4. Improve the operational coherence and visibility of the 'Italian Offer'.** Define a clear country-level value proposition, identifiable entry points for partners, and stronger in-country coordination among embassies, financial actors and industry associations.
- 5. Move from project-based to integrated, ecosystemic engagement models.** Combine infrastructure development, industrial participation, skills and vocational training, and continuous community dialogue, rather than relying on standalone flagship projects.
- 6. Strengthen Italy's role within European and multilateral energy cooperation.** Leverage EU frameworks – the New Pact for the Mediterranean and the T-MED initiative – and the Mattei Plan to help shape shared cooperation platforms aligned with Italian and partner-country priorities.

COUNTRY-SPECIFIC PRIORITIES

Morocco – Full value-chain engagement and triangular cooperation: strong complementarities exist in renewables, grids, the water-energy nexus and green hydrogen, but Italy's position depends on moving beyond one-off project participation toward a long-term presence combining development finance, technical cooperation and industrial partnerships. Italy should also leverage Morocco's regional networks for triangular cooperation with Sub-Saharan Africa.

Algeria – Diversified cooperation with strong technical and industrial backing: Italy is already a well-established strategic partner in Algeria; the priority now is to deepen and further operationalise this cooperation. This means translating existing agreements into bankable, delivered projects, while positioning Italian firms in high-value technical segments (methane abatement, CBAM readiness, certification, grid technology) where they hold a distinctive comparative advantage.

Tunisia – ELMED as the ecosystem pillar: strong political ties, geographic proximity and the ELMED interconnector give Italy a favourable starting position. The priority should be to position ELMED as the anchor of a broader partnership linking infrastructure to domestic renewable deployment and support for economic development, paired with de-risking mechanisms and blended finance to support Italian companies market entry.

Egypt – Investment and nearshoring opportunity: the market is one of the region's largest, yet Italian participation remains limited. The priority should be to pursue large scale renewable investment and differentiated technological niches (grid modernisation, storage, industrial energy solutions) through joint ventures and anchor investments.

2 INTRODUCTION AND PROJECT RATIONALE

Since 2022, energy has re-emerged as a structural dimension of geopolitical and economic risk. Recent developments – including the energy crisis following Russia's invasion of Ukraine, the outbreak of the US-Israel conflict with Iran and the consequent blockage of the Strait of Hormuz – have exposed the vulnerability of current energy systems to external shocks, weaponisation and price volatility, with immediate economic and political implications. This has reinforced **the understanding of energy security as a systemic, multidimensional issue, closely intertwined with economic resilience, industrial and external relations and global geopolitical dynamics.**

The crisis in the Hormuz Strait has underlined how **reducing dependence on imported fossil fuels, expanding renewable energy systems, and strengthening electrification have become progressively central to mitigating exposure to external shocks and geopolitical risks.** This highlights the necessity of accelerating the [energy transition](#) as a core driver of energy and economic security in the current global scenario. At the same time, the ongoing transformation of the energy system also entails a progressive shift in foreign policy and external industrial relations, transitioning from traditional buyer-supplier dynamics towards more complex forms of cooperation based on clean energy deployment, industrial integration, just transition models and shared development.

The Mediterranean basin represents a key space where all these dynamics intertwine. Geographic proximity, significant [renewable energy potential](#), energy interdependence and existing infrastructure linkages are reinforcing the region's role as a critical interface between European and North African energy systems. In this sense, **the Mediterranean region can play a role in efforts to strengthen energy security and resilience, while also paving the way for more integrated clean industrial value chains across the Mediterranean.** To this end, bilateral and multilateral cooperation frameworks across the region need to evolve accordingly, recalibrating economic cooperation and connected political incentives around new sectors and priorities.

From a European point of view, the [New Pact for the Mediterranean](#) and the recently launched [Trans-Mediterranean Renewable Energy and Clean Tech Initiative \(T-MED\)](#), alongside the [Global Gateway Initiative](#), reflect the European effort to scale up green investments, clean industrial cooperation and energy connectivity with regional partner countries to **advance the energy transition as a driver of development, energy security and competitiveness.**

Against this backdrop, **Italy is [also progressively expanding its engagement with North Africa beyond traditional energy diplomacy](#)**, which has historically represented the core of bilateral relations with countries such as Algeria and Libya. Indeed, throughout the past decade, and especially since the early 2020s, Italy's approach towards North Africa has increasingly expanded to cooperation on renewable energy, electricity infrastructure, clean industrial partnerships and broader energy transition initiatives, including from a scientific perspective.

These materialise through projects and initiatives involving public institutions, development finance actors, state-owned enterprises, private sector stakeholders and international organisations, with the goal of promoting a comprehensive approach engaging the whole the Italian System (*Sistema*

Italia) In the past three years, this evolution has been accompanied by **a broader political reassertion of Italy's role in the so-called Enlarged Mediterranean through the [Mattei Plan](#) for Africa**. The Plan, which places clean energy and sustainable development as an essential component of Italy's external projection towards the African continent, features North African countries like Morocco, Algeria, Tunisia and Egypt among its pilot partners.

At the same time, North African countries are advancing their energy transitions along differentiated pathways, shaped by domestic priorities and constraints. While energy transition is a [stated objective](#) across the region, implementation trajectories vary significantly across countries. In general, processes of shifting or expanding renewable energy capacity are closely linked to broader national objectives, including energy system stability, economic development and industrial diversification.

In 2024-2025, ECCO and RES4Africa Foundation carried out an analytical mapping of Italy's cooperation endeavours towards North Africa in the framework of the project "*Security and energy transition in the Mediterranean: what role for Italy?*", supported by the Unit for Analysis, Policy Planning, Statistics and Historical Documentation of the Italian Ministry of Foreign Affairs and International Cooperation.

The project's [findings](#) highlighted a significant acceleration in Italy's engagement on energy transition and related sectors across North Africa. Between 2022 and 2024, Italy signed more than half of all its clean energy transition agreements with North African partners concluded over the past decade, marking a sharp acceleration in engagement following the 2022 energy crisis. **The results have also underlined how this increase is largely represented by high-level cooperation frameworks on the one hand, and by the initiatives of important national actors with international exposure on the other, rather than by a strategic and systemic action capable of mobilising the country system towards these objectives.**

The core open question emerging from the first phase was therefore **how to align Italy's expanding political ambition and growing operational activity with a more coherent long-term approach capable of supporting Italy's strategic interests, while also responding to partner-country priorities, industrial needs and regional dynamics.**

Building on this driving question, in the project's second phase, "*Clean energy hub in the Mediterranean - Reconciling opportunities and addressing challenges together: the Sistema Italia and North African partner countries*", again financed by the Unit for Analysis, Policy Planning, Statistics and Historical Documentation of the Italian Ministry of Foreign Affairs and International Cooperation, ECCO and RES4Africa Foundation aimed to **examine how Italy can concretely maximise its potential role in North Africa's energy transition and strengthen its positioning as a primary interlocutor for the region through deeper clean energy and industrial relations with North African countries.**

In particular, this policy brief identifies how Italy can align its political ambitions with concrete tools to build more structured, **mutually beneficial clean energy partnerships with North African countries**. In doing so, it contributes to the **broader debate on how Italy and Morocco, Algeria, Tunisia and Egypt can deepen their long-term energy cooperation on equal and reciprocal terms in the context of the energy transition.**

To this end, the policy brief is structured as follows: **Section 2** describes the methodology of this work, followed by **Section 3** outlining the main strategic drivers shaping energy transition processes across

North Africa and presenting the strategic context of the four countries examined. **Section 4** presents the key findings emerging from the consultations, identifying the main cross-cutting dynamics shaping regional energy transition ecosystems and their implications for Italy's positioning. **Section 5** develops a set of policy recommendations aimed at strengthening Italy's operational and strategic engagement in North Africa, combining cross-cutting priorities with country-specific action points for Morocco, Algeria, Tunisia and Egypt.

3 METHODOLOGY

This paper draws on a structured **field consultation carried out by ECCO and RES4Africa Foundation between October 2025 and June 2026 across the four North African countries identified as priority geographies for the project: Morocco, Algeria, Tunisia and Egypt**.

In total, **more than 40 interviews were conducted with stakeholders from national institutions and ministries, diplomatic representatives, public and private financial actors, private sector representatives active in renewable energy and related value chains, civil society organisations and think tanks working on energy and Mediterranean affairs**. Wherever feasible, the selection of interlocutors benefited from the involvement of the Mattei Plan Mission Structure and the network of Italian embassies in the region. This helped identify relevant counterparts and, in several cases, facilitated access to actors that would otherwise have been difficult to reach on the basis of the research team's network alone.

Interviews followed a semi-structured format. Rather than relying on a single, standardised questionnaire applied uniformly across contexts, the research team designed a core set of questions on the state of energy transition cooperation with Italy, which was then adapted to the specific institutional position of each interlocutor. Nevertheless, a common thread ran through all conversations, namely the track record of cooperation with Italian actors and the policy or institutional changes interlocutors considered most useful, and the underlying research interest stayed the same across all conversations: understanding where the Italian System can add value, and where it currently falls short.

Beside this, the order and depth of questions were adjusted depending on the seniority of the interlocutor and the institutional point of view they offered. This was a deliberate choice: a closed questionnaire would have produced cleaner comparability across the four countries, but at the cost of the valuable insights provided by a more flexible approach that went beyond a checklist format. Most interviews were conducted in person during in-country missions, with a smaller number held remotely where scheduling did not allow for a face-to-face meeting; all were held on a non-attributable basis, which is reflected in the way findings are presented throughout this paper.

The resulting material was treated as a qualitative mapping of perceptions, frictions and opportunities as seen from the southern shore of the Mediterranean. This is consistent with the broader rationale of the project, which sought to complement the largely Italy-centred analysis produced under the earlier ECCO-RES4Africa initiative on energy security and the energy transition in the Mediterranean with a perspective grounded in the priorities and constraints of North African partners themselves.

Findings from the interviews were cross-checked, where possible, against existing analytical work carried out by the two partner organisations, including RES4Africa's renewAfrica initiative on de-risking instruments for renewable energy investment in Africa, and ECCO's broader research on the

region, in order to situate the qualitative evidence within a broader and more consolidated body of analysis.

4 STRATEGIC FRAMING: THE ENERGY TRANSITION AS A DEVELOPMENT, SECURITY AND INDUSTRIAL AGENDA

Across North Africa, the energy transition process is embedded within broader national strategies centred on energy security, macroeconomic stability and industrial development. In this sense, **renewable energy deployment is generally regarded not primarily as a decarbonisation tool**, but rather as a mechanism to ensure one or a combination of the following benefits: reducing import dependency, strengthening energy sovereignty, improving trade balances and fiscal sustainability, supporting industrial competitiveness and creating employment opportunities, and strengthening long-term economic competitiveness.

Against these ambitions, North African countries face a set of common challenges. On the **infrastructural side, transmission and storage capacity are still being scaled up to match the pace of renewable deployment, and transmission networks remain underdeveloped. Financing conditions remain a key constraint:** the cost of capital for utility-scale clean energy projects is at least two to three times higher than in advanced economies, reflecting both sovereign credit ceilings that raise costs across all projects, regardless of their fundamentals and currency risk affecting locally denominated revenues. On the **social and human capital front, investment in technical training and grid-related skills remains a priority to support the pace of integration**, despite the presence of skilled workers.

In addition, an open debate is currently taking place on **how to balance domestic value creation and export-oriented models**. Large-scale projects centred on electricity exports or future hydrogen value chains may attract foreign investment and generate external revenues for domestic goals, but can also face political and social resistance if perceived as externally driven or insufficiently anchored in local economic benefits. In this framework, **concerns around unequal distribution of economic benefits have emerged with varying intensity across different country contexts**, particularly in relation to export-oriented infrastructure and industrial projects that are perceived as generating limited domestic development. In other words, the era of pure import-export relationships is coming to an end. Such an approach no longer guarantees a sustainable or competitive long-term position in the market.

While these dynamics are broadly visible across the region, **their relative importance varies substantially between countries**. Differences in resource endowments, institutional capacity, regulatory maturity and industrial structures shape distinct transition pathways, investment environments and patterns of external engagement. As a result, **countries are not only moving at different speeds and with different priorities, but are increasingly positioning themselves as competitors** for investments, partnerships and export markets, **rather than as partners in a shared regional transition**.

Understanding these differences is essential for interpreting both the opportunities and constraints shaping international cooperation and investment across the region. The following country profiles provide a concise overview of the strategic context underpinning energy transition processes in Morocco, Algeria, Tunisia and Egypt.

4.1 MOROCCO

Morocco's energy transition is primarily driven by energy security, industrial development and international competitiveness. As the country imports close to 90% of its energy needs, reducing external dependence has become a central strategic objective. In this context, the country began investing in renewable energy earlier than most countries in the region and has progressively **framed the transition as a tool to strengthen energy sovereignty, develop industrial value chains and improve long-term economic competitiveness.**

Against this backdrop, **Morocco pursues a broader ambition to position itself as a regional hub and bridge between Africa and Europe.** This vision extends beyond renewable energy deployment and encompasses electricity interconnections, critical raw materials, logistic corridors, shipping and clean manufacturing. Morocco's renewable trajectory is strong and broadly on track. The country has already achieved one of the highest shares of renewable installed capacity in the region and continues to raise its ambition for 2030 and beyond.

To reach these objectives, **Morocco has established one of the most advanced energy transition frameworks in the region, supported by mature institutions, a diversified set of investment instruments and a track record in attracting international partners.** Recent reforms have focused on strengthening regulatory clarity, private sector participation and investment incentives. However, beyond political ambition, implementation challenges remain, including mobilising private capital, accelerating permitting procedures, expanding grids infrastructure and strengthening clean industrial value chains. In addition, the development of certification systems, off-take mechanisms and financing frameworks has emerged as priority area where international technical cooperation could support Morocco's objective of strengthening the competitiveness of its industrial exports in an increasingly carbon-conscious global economy.

4.2 ALGERIA

Algeria's energy transition is primarily driven by energy security, export competitiveness and the long-term sustainability of its hydrocarbons-based economic model. Unlike other countries in the region, **the transition is largely understood as a process of decarbonising the energy sector while preserving Algeria's role as a major energy exporter.** Renewable energy deployment is therefore viewed as a tool to reduce domestic gas consumption, free additional gas volumes for export and support future opportunities linked to electricity exports, hydrogen production and industrial decarbonisation. Energy security remains the dominant policy objective, while climate considerations are generally framed within broader economic and strategic priorities.

The country has recently accelerated its ambitions in renewable energy and hydrogen, recently announcing a plan to reach 15,000 megawatts of solar photovoltaic energy by 2035. At the same time, implementation remains shaped by a highly state-led governance model centred on Sonatrach and Sonelgaz. **Stakeholders highlighted several structural constraints, including regulatory uncertainty associated with recent institutional reforms, limited private sector participation and challenges in delivering competitively priced renewable electricity.** More broadly, the viability of future hydrogen and interconnection projects will depend on the successful deployment of large-scale renewable generation and grid infrastructure.

Despite these challenges, **Algeria maintains significant strategic advantages, including abundant renewable resources, existing energy infrastructure, strong engineering capabilities and a**

central role in European energy security. International engagement is increasingly focused on hydrogen, methane abatement, carbon management, interconnections and industrial decarbonisation, while strong Chinese competition exists in the solar energy sector. While discussing international cooperation perspectives, stakeholders expressed strong **interest in partnerships that combine investment with technology transfer, skills development and industrial cooperation.**

4.3 TUNISIA

Tunisia's energy transition is primarily driven by energy security, macroeconomic stability and industrial competitiveness, rather than decarbonisation objectives alone. The country remains heavily dependent on imported natural gas, mainly from neighbouring Algeria, while energy imports account for a significant share of the trade deficit. As a result, **renewable energy deployment is increasingly framed as a strategic tool to strengthen energy sovereignty, reduce fiscal pressures, improve external balances and support local economic development.**

Despite Tunisia's significant renewable energy potential and a relatively comprehensive legal framework, deployment remains constrained by structural bottlenecks. **Stakeholders consistently identified regulatory complexity, lengthy procedures, uncertainty surrounding project bankability and the financial fragility of the country and its main public actors as key barriers limiting private sector participation and investment scaling.** At the same time, the government is advancing reforms aimed at improving the investment environment, including the establishment of an independent regulator and a new renewable energy code.

4.4 EGYPT

Egypt's energy transition is driven primarily by energy security, industrial competitiveness and economic development objectives. Faced with declining domestic gas production, growing electricity demand and macroeconomic pressures, **the government increasingly views renewable energy deployment as a strategic instrument to strengthen energy sovereignty, attract investment, support industrial development and position Egypt as a regional clean energy hub connecting African, Mediterranean and European markets.** In this context, the emphasis is placed on the energy transition as a driver for broader national development, combining infrastructure modernisation, industrial policy and geopolitical positioning.

Egypt already possesses a relatively mature and investment-oriented renewable energy market. Over the past decade, the country has invested heavily in rapidly establishing a functioning regulatory framework and developed multiple pathways for private sector participation, improving foreign investor confidence and thus managing to attract substantial international investment in solar and wind generation. Recent reforms, including the introduction of private-to-private electricity trading schemes and expanded renewable energy targets, have further reinforced Egypt's ambition to accelerate deployment while gradually moving towards more competitive electricity market structures. Despite this enabling environment, **implementation challenges remain, particularly regarding payment security mechanisms and currency convertibility risks that to this day still affect international investor confidence.**

At the same time, **Egypt's ambitions and priorities extend beyond renewable energy deployment alone.** Stakeholders consistently highlighted the importance of **grid reinforcement, storage, green industrial competitiveness, job creation, manufacturing localisation and technology transfer.** The transition is therefore increasingly understood as a vehicle for industrialisation and value-

chain development, rather than being exclusively aimed at energy targets. In this regard, local stakeholders place greater emphasis on partnerships that combine investments, technology transfer and local manufacturing, thus creating tangible economic benefits as well as employment opportunities. Such orientation is particularly visible in emerging sectors such as green hydrogen, industrial decarbonisation and energy-intensive manufacturing, where the objective is to attract capital but also strengthen the country's long-term industrial competitiveness.

5 INSIGHTS FROM FIELD MISSIONS

This section presents the main cross-cutting findings emerging from field missions conducted across North Africa. **The primary focus of the consultations was to understand how Italy (or more precisely, stakeholders belonging to the Italian System) is perceived and positioned within evolving cooperation, investment and industrial ecosystems linked to the energy transition in the four countries considered.** In this regard, the consultations revealed a number of common dynamics shaping the region's energy transition ecosystems and influencing how external actors position themselves within them.

For Italy, these dynamics are particularly relevant at a moment when political ambition towards the Mediterranean and North Africa has expanded significantly in relation to energy transition dossiers. However, across countries, field evidence highlights how Italy's growing political visibility could be further matched by a stronger and deeper operational positioning of stakeholders belonging to the Italian System within regional energy markets.

Understanding how North African stakeholders view and organise economic opportunities, and how they engage with international actors, is therefore essential to assessing Italy's current role within broader regional dynamics. The insights below present a series of cross-cutting dynamics that emerged consistently across the four countries.

5.1 DIVERGING MARKET REALITIES REQUIRE DIFFERENTIATED APPROACHES

Insight 1: A uniform regional approach is unlikely to be effective. Successful engagement requires developing a comprehensive awareness of the country market context, which can inform approaches more closely aligned with Italian foreign policy and national investment priorities, as well as local economic priorities, industrial strategies and long-term development objectives.

In more mature and competitive markets (i.e., Morocco and increasingly Egypt), more advanced regulatory frameworks and prior investment cycles have contributed to the emergence of relatively structured and mature renewable energy ecosystems with a strong international investor presence. These environments are characterised by established legal frameworks and high levels of competition, particularly in utility-scale projects. In such cases, market access is shaped by the ability to operate on a scale or by the capacity to position in niche segments, often in partnership with local or international actors.

By contrast, in Tunisia, external engagement by public and private actors takes place within structurally limited environments, characterised by regulatory complexity and strong reliance on

international financial institutions. Here, foreign investments are often constrained by higher levels of perceived risk and require sustained institutional support, de-risking mechanisms, blended finance and gradual market-entry approaches.

Algeria presents a distinct market model which diverges from the Independent Power Producer (IPP) model used in Morocco, Egypt and Tunisia, favouring Engineering, Procurement, Construction (EPC) contracting instead with state-owned entities. The retention of long-term ownership of generation assets is therefore prioritised, alongside limitations on long-term foreign private capital and obligations to use domestically manufactured equipment. In this context, market access depends less on competing in open investment environments and more on building long-term institutional relationships and aligning with national industrial and energy security priorities.

5.2 GLOBAL COMPETITORS DEPLOY INTEGRATED MODELS AT COUNTRY LEVEL

Insight 2: Sustained market presence in North Africa's energy transition increasingly depends on the ability of foreign actors to deploy integrated, in-country engagement models – combining financial instruments, industrial partnerships, technical cooperation and long-term operational continuity – rather than on the strength of individual projects alone.

Italian engagement takes place within an increasingly crowded and structured landscape where other international and European actors have progressively developed integrated models to enter and consolidate their presence in energy transition markets abroad. Across North African markets, these models typically combine different mixes of development finance, industrial partnerships, technical cooperation and long-term operational presence and pipeline development. For example, Gulf countries are associated with strong financial capacity, rapid project execution and large-scale investment approaches. Chinese companies leverage cost-competitive supply chains and integrated industrial ecosystems. Some other European actors operate through more structurally coordinated approaches that combine public financial instruments, technical cooperation and sustained private sector presence.

In this regard, stakeholders noted that several international actors maintain strong operational ecosystems on the ground, combining sustained institutional presence, financial instruments, technical cooperation and continuous private sector engagement. In some cases, private actors are supported not only by public sector and development finance institutions, but also maintain dedicated country teams, long-term commercial strategies within countries of core focus and continuous project pipeline capacity and portfolio expansion. This results in a competitive environment where success is determined less by individual projects and more by the ability to mobilise coordinated, multi-dimensional engagement models over time.

Compared to several European, Gulf and international competitors, Italy's operational footprint in the North African energy transition ecosystem remains more limited and less structurally anchored. However, recent initiatives linked to the Mattei Plan and the strengthening of operational instruments suggest a growing awareness of this challenge and a progressive effort to address it.

5.3 PARTNER EXPECTATIONS ARE CLEAR AND CONSISTENT

Insight 3: Partner expectations are consistent across markets: long-term commitment, integrated offers, local value creation, capacity strengthening and institutional predictability. While political goodwill (an asset Italy currently holds and can draw on) can open doors, it does not in itself translate into market positioning, which instead depends primarily on sustained operational presence on the ground.

Despite the diversity of national contexts, stakeholders across the region express a relatively consistent set of expectations towards international partners. These expectations reflect the broader framing of the energy transition as a driver of economic and social development. Effective partnerships are expected to deliver: long-term commitment beyond individual projects; integrated offers combining finance, industry, policy and technical support; local value creation, particularly in terms of employment and industrial development; capacity strengthening to support domestic capabilities; and predictability and coordination across institutions and instruments.

Stakeholders also emphasised that energy transition markets in North Africa, and especially in Egypt, Morocco and increasingly Tunisia, are shaped by long investment cycles and cumulative relationship-building processes. In strategic sectors where political, institutional and economic dimensions remain closely interconnected, early entry, continuous presence and sustained institutional engagement have so far been drivers of credibility and success for foreign investors.

Across several country contexts, Italy generally benefits from positive political relations and is perceived as a pragmatic, credible and more discreet interlocutor. This political capital creates favourable conditions for engagement and differentiates Italy from several international competitors.

Building on this advantage, and considering Italy's long standing industrial and economic relations in the region, interlocutors see numerous opportunities across renewable energy, clean industry and related transition sectors. However, to move effectively in this direction, Italian participation would benefit from a more structurally embedded presence within local energy ecosystems in energy transition sectors. Indeed, stakeholders also noted that political goodwill alone does not automatically translate into market positioning in energy transition sectors. As such, while positive political perception may facilitate access and dialogue, successful positioning ultimately depends on the ability to establish and maintain a durable operational presence, developing long-term partnerships, also from an industrial point of view, and ensuring continuous engagement with local ecosystems.

5.4 ITALY'S OPERATIONAL ECOSYSTEM ON THE GROUND IS EXPANDING

Insight 4: According to interlocutors, Italy's operational footprint in North African energy transition markets, while expanding, remains structurally limited to private sector anchoring on the ground and characterised by a perception gap among Italian stakeholders that Italy has not kept pace with rapidly evolving market conditions.

Italy's engagement in the region has expanded in recent years, including through new institutional initiatives, increased political attention and the strengthening of operational instruments linked to the Mattei Plan. The latter also encompasses the domain of the energy transition, which represents one of the main pillars of the Plan.

However, with specific reference to this sector, many interlocutors noted that Italy's overall operational footprint in the region remains comparatively limited. In Tunisia and Egypt, interviews pointed to the limited presence of the Italian private sector in renewable energy tenders and project participation, as well as limited Italian presence in concession rounds, despite a strong openness in the country for greater involvement by the Italian private sector. In Tunisia, for example, stakeholders repeatedly highlighted the contrast between the strong visibility generated by flagship initiatives such as ELMED and the comparatively limited presence of Italian firms across broader renewable energy value chains.

In several contexts, Italian firms, particularly SMEs, face structural difficulties in entering North African energy markets independently, especially in the absence of long-term institutional anchoring, large industrial partners acting as bridges, or more structured support on the ground.

A recurring constraint was not only the existence of financial and regulatory risks, but also the perception of these risks among Italian stakeholders, characterised by a limited awareness of the concrete opportunities emerging in North African energy markets, alongside outdated or overly cautious assessment of market conditions. This is particularly relevant in rapidly evolving contexts such as Egypt and Morocco, where institutional reforms, industrial strategies and investment frameworks have advanced significantly in recent years. This progress, however, has not been matched by a corresponding level of awareness among Italian stakeholders.

Italian public financial and export support instruments have expanded considerably in recent years through actors such as CDP, SACE and SIMEST. As these instruments continue to mature, their full integration into a coordinated, long-term positioning strategy for North African energy markets is still underway, with further potential to support sustained partnership development and continuous market engagement. In the same vein, the initiative 'A Road Map to Connect Africa to Europe for Clean Energy Production' aligns with Italy's broader ambition to position itself as an energy bridge between Africa and Europe. However, translating this vision into tangible partnerships will require stronger engagement with key African partner countries and the identification of concrete, bankable projects.¹

¹ The 'Road Map to Connect Africa to Europe for Clean Energy Production', supported by the European Commission through the Technical Support Instrument (TSI) and developed with the World Bank, seeks to support Italy's ambition

6 POLICY RECOMMENDATIONS

The previous section highlighted four key cross-cutting insights that emerged from the interviews with North African stakeholders, as well as Italian and European interlocutors operating on the ground. North African energy transition markets are evolving rapidly, with investment ecosystems, industrial partnerships and strategic positioning processes consolidating at increasing speed. **Despite the growing complexity and competitiveness of these markets, Italy retains significant potential to strengthen its positioning within emerging regional energy transition and clean industrial ecosystems.** In this sense, **there is significant scope for Italy to further strengthen its positioning within emerging value chains, industrial partnerships and long-term market trajectories by consolidating a more coordinated and sustained engagement across the region which could pave the way for its role as a clean energy hub in the Mediterranean**

Building on both the strategic framing developed in Section 4 and the findings emerging from the field missions in Section 5, this section outlines a set of regional and country specific policy recommendations aimed at helping the Italian ecosystem realise its potential and consolidate a more structured, long-term and country-grounded approach to North Africa's evolving energy transition ecosystems. To reach this goal, cross-cutting priorities are combined with country-specific action points for Morocco, Algeria, Tunisia and Egypt.

6.1 CROSS-CUTTING PRIORITIES FOR ITALY'S ENGAGEMENT IN THE REGION

1. **Closing the gap between political ambition and operational engagement: translating Italy's political positioning in the region into lasting market presence calls for stronger operational anchoring alongside diplomatic momentum.** Italian firms, especially SMEs, can benefit from greater institutional anchoring, stronger ties with large industrial partners able to act as bridges, and more structured support on the ground to enter North African energy markets effectively. On the other hand, establishing a permanent local presence is increasingly becoming both a regulatory and commercial necessity, through local subsidiaries, representative offices, joint ventures, and strategic partnerships with domestic actors. This would contribute to positioning Italy as a **system partner capable of aligning diplomatic, financial and industrial instruments around clearly defined country-level objectives**, translating political initiatives into visible and solid public-private integration, investment pipelines and a more effective leverage of the role of large industrial actors.
2. **Designing a country-tailored 'Energy Transition Diplomacy', anchored in industrial strategy:** given the heterogeneity of North African markets, Italy's energy foreign policy should also be conceived as an **industrial foreign policy, i.e. one aimed at developing the value chains in which Italy holds a comparative advantage, from large industrial players to SMEs, and at linking renewable energy deployment to the industrialisation, competitiveness and economic diversification strategies that partner countries are pursuing in their own right.**

to become a strategic energy hub linking Africa and Europe. The initiative focuses on renewable energy partnerships, cross-border electricity integration and clean energy trade, and builds on cooperation in strategic projects, in particular ELMED electricity interconnection between Italy and Tunisia.

Translating this dual ambition into practice requires adapting engagement models to country-specific market realities rather than pursuing a uniform regional approach.

- a. In more **mature and competitive markets**, where structured renewable energy ecosystems already host strong international investor presence, **Italy could engage across the full spectrum of the energy transition** – from large-scale projects to more specific segments such as grids, system integration, energy efficiency and digitalisation – competing on scale where relevant, or positioning in niche segments through partnerships, venture initiatives and value chain integration, including the development of clean industrial manufacturing capacity.
- b. In more constrained regulatory and market environments, Italy's role should focus on **supporting the country in establishing and stabilising the institutional and regulatory boundary conditions needed to unlock investment**, combining sustained institutional support, de-risking mechanisms and gradual market-entry approaches.
- c. Where the energy transition is likely to depend on the sustained engagement of established oil and gas players, market access depends **more on building long-term institutional relationships complemented by scientific and research cooperation** as a valuable entry point, aligned with national industrial and energy security priorities.

Across all contexts, this differentiated approach should be anchored in a shared industrial logic: **linking renewable energy deployment to broader economic applications such as integration with manufacturing processes, energy solutions for infrastructure systems and sector-specific decarbonisation technologies.**

3. **Supporting the 'Energy Transition Diplomacy' with a competitive and country-tailored financial offer:** Italy has already strengthened its financial and export support toolkit through actors such as, but not limited to, CDP, SACE, SIMEST and AICS. Building on such progress, Italy could further enhance the strategic deployment and visibility of these **instruments to respond to the needs of the Italian industrial ecosystem, largely composed of SMEs and specialised industrial actors**, across the diverse conditions of North African energy markets. In this context, **financial instruments could support market entry and positioning, industrial partnership-building, project pipeline development and origination.** In particular, public financial actors could facilitate access to blended finance, guarantees and early-stage project preparation mechanisms, along with promoting tailored instruments that support partnerships with local and international actors capable of reducing operational and financial entry barriers. To maximise its effectiveness, Italy's country-tailored financial offer should be aligned with, and leverage, funding opportunities under the next European Multiannual Financial Framework (MFF), the Global Europe Instrument and other relevant EU financial tools.
4. **Improving the operational coherence and visibility of the 'Italian Offer':** Italy should develop targeted **actions to improve external clarity and operational alignment for Italian and local partners.** In particular, this entails defining and communicating a **clear country-level value proposition**, establishing identifiable **entry points for engagement** (both at headquarters and country level) and strengthening the already existing **in-country coordination platforms** (embassies, public and private finance actors, associations) as focal points for pipeline development and stakeholder interaction. In particular, Italy could strengthen operational support and market intelligence for Italian firms interested in North African energy markets by improving information sharing and coordination between development finance, export support and industrial actors.

5. **Moving from project-based to integrated engagement models:** long-term competitiveness increasingly depends on the ability **to engage across multiple market segments and over extended and long-term time horizons**, beyond single projects. Italy should therefore move towards integrated engagement models that combine infrastructure and project development, industrial participation and value chain integration, skills development and vocational training, and institutional and regulatory cooperation. At the same time, the energy transition is a challenge of participation, communication and trust: investments in infrastructure and interconnections should go hand in hand with continuous dialogue with the impacted communities. In this sense, **flagship initiatives should be embedded within broader long-term engagement strategies and an ecosystem approach that supports domestic system development and local value creation, going beyond the production and transmission of electricity.**
6. **Continuing to strengthen Italy's role within European and multilateral energy cooperation:** the renewed European focus on the Mediterranean, including through the New Pact for the Mediterranean and the [Trans-Mediterranean Renewable Energy and Clean Tech Initiative \(T-MED\)](#), offers an opportunity for Italy to take on **a more proactive role in shaping emerging cooperation frameworks and ensure stronger alignment between European instruments, Italian industrial capabilities and interests and partner countries' priorities.** Building on the experience of the Mattei Plan and Italy's growing political engagement in the region, Italy could actively contribute to the design and implementation of country-specific cooperation and investment platforms, bankable project pipelines aligned with local value creation objectives, and promote stronger coordination between European financing mechanisms, development institutions and industrial actors. In this sense, **working in synergy with other European actors towards shared objectives is an important step towards shaping a more competitive European approach vis-à-vis other models of engagement.**

6.2 COUNTRY-SPECIFIC ACTIONS FOR ITALY'S ENGAGEMENT

6.2.1 MOROCCO

For Italy, Morocco represents a strategically important partner for clean energy and industrial cooperation in the Mediterranean. Strong complementarities exist in renewable energy deployment, grids, system integration, water-energy nexus solutions, vocational training, industrial partnerships and green hydrogen value chains. However, **strengthening Italy's position will require moving beyond episodic participation in individual projects towards a more structured long-term presence capable of combining development finance, technical cooperation, private-sector engagement and institutional partnerships.** In Morocco, Italy could:

1. **Strengthen Italy's participation in Morocco's renewable energy, storage and emerging green hydrogen ecosystems** by supporting greater involvement of Italian actors in major national programmes and investment opportunities, while facilitating consortium-building among Italian firms and partnerships with Moroccan counterparts.
2. **Position Italy as a strategic partner on industrial decarbonisation and energy-transition governance.** Moroccan stakeholders have identified growing demand for technical expertise in areas where Italy possesses recognised capabilities and where cooperation can complement commercial engagement. Priority areas should include support for the decarbonisation of energy-intensive industries, development of certification frameworks aligned with European requirements, grid modernisation and renewable integration, flexibility solutions and storage, as

well as regulatory and institutional capacity strengthening. Through bilateral technical assistance, regulator-to-regulator cooperation, knowledge exchange programmes and partnerships involving Italian research centres, Transmission System Operators (TSOs), industry associations and private sector actors, Italy can strengthen its strategic presence while creating an enabling environment for future industrial and commercial partnerships.

- 3. Expand support for industrial partnerships involving SMEs, nearshoring initiatives and joint ventures**, particularly in sectors where Italian firms maintain strong competitive advantages, including grids, power electronics, distributed energy systems and clean industrial technologies.
- 4. Strengthen cooperation on executive and vocational training, applied research, technology transfer and workforce development**, supporting Morocco's objective of linking energy transition investments with industrial development, employment creation and local value generation.
- 5. Promote triangular cooperation initiatives involving Italian and Moroccan actors in third-country markets, particularly in Africa**, leveraging Morocco's regional networks and implementation capacity alongside Italian industrial, technological and financial expertise and its solid relations across the African continent.

6.2.2 ALGERIA

Algeria occupies a unique position among North African partners. Italy is already a well-established strategic actor through its longstanding energy relationship, as well as its recent involvement in major initiatives such as hydrogen and electricity interconnection projects. The challenge is therefore not market entry but deepening and diversifying cooperation. **Future engagement is likely to be most effective when focused on strategic infrastructure, methane abatement, carbon management, certification systems, industrial decarbonisation, research collaboration and capacity strengthening, while supporting the transition from political declarations to concrete and bankable projects.** In Algeria, Italy could:

- 1. Consolidate its leadership role in key initiatives while supporting the resolution of outstanding regulatory, governance and commercial issues** that continue to delay implementation. Italy should leverage the recognised positioning of major Italian actors to strengthen long-term strategic cooperation.
- 2. Develop structured cooperation platforms on methane abatement, CBAM readiness, certification and carbon management** to support growing pressure linked to methane emissions, carbon reporting and industrial decarbonisation requirements. Italy could position itself as a partner of choice by supporting monitoring, reporting and verification systems, certification frameworks and technical capacity strengthening.
- 3. Promote early-stage industrial engagement before tenders are launched** by supporting business matchmaking, consortium building, B2B platforms and institutional exchanges that allow Italian companies to establish relations with Algerian counterparts, which are often public-sector actors.
- 4. Encourage its firms to compete in high-value industrial and technological segments rather than in EPC markets.** Given the strong price competitiveness of Chinese actors, Italian participation is likely to be most effective in areas such as grids, system integration, power

electronics, inverters, specialised components, industrial services, energy efficiency, digitalisation and joint production initiatives aligned with local-content requirements.

5. **Building on the Mattei Plan approach, develop joint programmes with Algerian institutions in training, research, innovation and industrial development**, while also exploring triangular cooperation opportunities targeting African and Arab markets where Algerian engineering capabilities and regional networks represent a comparative advantage.
6. **Expand Italian participation in research, technical cooperation and innovation partnerships** with scientific institutions, particularly in areas linked to grid integration, industrial decarbonisation, storage technologies and energy-intensive manufacturing sectors.

6.2.3 TUNISIA

For Italy, Tunisia presents both an opportunity and a test case. Strong political relations, geographical proximity and the strategic importance of the ELMED project provide a favourable foundation for cooperation. However, translating this privileged position into a more structured economic and industrial presence will require **greater participation in renewable energy markets, stronger support for Italian companies seeking market entry and a longer-term engagement model that combines infrastructure, skills development, institutional cooperation and local value creation**. In Tunisia, Italy could:

1. **Position ELMED as the anchor of a broader long-term partnership linking interconnection infrastructure with domestic renewable deployment, skills development and innovation cooperation**, while leveraging the presence of major Italian industrial actors such as Terna to facilitate the participation of smaller Italian companies and build more structured industrial consortia across the value chain.
2. **Encourage Italian participation in Tunisia's renewable energy pipelines through targeted institutional and financial support for market entry for Italian SMEs** across concession, authorisation and self-production regimes.
3. **Support gradual market-entry models aligned with Tunisia's investment environment and the structure of the Italian industrial ecosystem**, including self-production schemes, industrial Power Purchase Agreements (PPA) and value-chain partnerships, while prioritising de-risking mechanisms and blended finance options by addressing off-taker and bankability risks and regulatory uncertainty for Italian firms.
4. **Expand cooperation on workforce development, vocational training and research partnerships** to support Tunisia's long-term economic development objectives and strengthen Italy's institutional presence beyond individual projects.

6.2.4 EGYPT

For Italy, Egypt presents a paradox. The country position is generally open to greater Italian engagement, and the country offers one of the largest renewable energy markets in the Mediterranean. Yet Italian participation remains limited, particularly in utility-scale renewable generation and project development. Stakeholders repeatedly emphasised that this situation reflects market positioning, risk perception and the absence of anchor investments rather than

regulatory barriers. As a result, **future Italian engagement is likely to be most effective when focused on differentiated technological niches, industrial partnerships and long-term ecosystem building rather than direct competition in already crowded utility-scale generation segments.** In Egypt, Italy could:

- 1. Encourage Italian participation across the full spectrum of Egypt's renewable energy market**, including utility-scale generation, while prioritising differentiated positioning in segments where Italian firms hold distinctive technological and industrial advantages. Participation in large-scale projects can support long-term relationship-building and market visibility, but Italy's comparative advantage lies primarily in grid modernisation, storage, industrial energy solutions, energy efficiency, system integration, digitalisation, water-energy nexus technologies and energy infrastructure supporting industrial decarbonisation.
- 2. Promote market-entry models based on joint ventures, anchor investments and long-term partnerships with established local and international actors**, thus enabling Italian firms to integrate into existing project pipelines and value chains while reducing perceived market-entry risks.
- 3. Support integrated industrial cooperation combining technology deployment, workforce development, manufacturing localisation and value-chain cooperation**, in line with Egypt's strategic objective of linking renewable energy expansion with domestic industrialisation and job creation.
- 4. Expand the use of targeted risk-sharing and blended finance instruments to reduce currency risks, payment-security and country-risk perception barriers** that continue to discourage Italian private sector participation, accompanying such financial interventions with non-financial support that includes project-preparation, ad-hoc and continuous market intelligence services.

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