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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX IV

of the Commission Implementing Decision on the financing of the individual measure in favour of Palestine¹ for 2021-2023

Action Document for ‘Gas for Gaza (G4G)’

MEASURE

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and individual measure in the sense of Articles 23(3) of NDICI Regulation-Global Europe.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS Basic Act	Gas for Gaza Measure in favour of Palestine for 2021-2023 Opsys number: NDICI-GEO-NEAR/2022/ACT-60721 – JAD.958463 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Palestine.
4. Programming document	European Joint Strategy in support of Palestine 2021-2024 –Under preparation – to be adopted as soon as possible
5. Link with relevant MIP(s) objectives/expected results	Under preparation
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Energy
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 7 – Ensure Access to affordable, reliable, sustainable and modern energy Other significant SDGs: SDG 1 No poverty SDG 6 Clean water and sanitation

¹ "This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue"

	SDG 8 Decent work and economic growth SDG 9 Industry, innovation and infrastructure SDG 12 Responsible Consumption and Production SDG 13 Climate action			
8 a) DAC code(s)	230 Energy (100%)			
8 b) Main Delivery Channel	5200 – Other			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Inclusion sociale et développement humain ² <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers³	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

² En ce qui concerne le voisinage, les activités liées à l'éducation doivent être indiquées dans le cadre de l'objectif «Inclusion sociale et développement humain», conformément aux lignes directrices de programmation de l'instrument IVCDI - Europe dans le monde.

	Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	<u>Connectivity</u> Tags: transport people2people energy digital connectivity	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020110 – Southern Neighbourhood Total estimated cost: EUR 20 000 000 Total amount of EU budget contribution EUR 5 000 000			
MANAGEMENT AND IMPLEMENTATION				
13. Implementation modalities (type of financing and management mode)	Project Modality Indirect management with the entity to be selected in accordance with the criteria set out in section 4.3.1.			

1.2. Summary of the Action

The action aims to improve availability and efficient management of energy resources in Gaza through the allocation of a first EUR 5 million incentive tranche of European Union (EU) support for the construction of the Gas for Gaza project. The total cost of the G4G pipeline section in Gaza is estimated to EUR 20 million. The action consists of infrastructure works regarding the gas transportation infrastructure for a 4 km gas pipeline in the Gaza Strip including the works tendering and supervision. The Commissioner for Neighbourhood and Enlargement highlighted the importance of investing in a sustainable energy strategy for the Gaza Strip and reaffirmed EU's commitment to it in February 2021, during the Ad Hoc Liaison Committee (AHLC) meeting.

The Palestinian Authority (PA) and its international partners have identified the G4G construction as the best option for Gaza Strip to secure a sustainable and affordable energy supply in the long term, contributing to the Sustainable Development Goal 7 - ensure access to affordable, reliable, sustainable and modern energy for all. The action will respond to Gaza's structural energy crisis, with multiple benefits: humanitarian by providing energy for the health and water sectors, environmental by reducing the emissions switching from carbon intense diesel fuel to natural gas and economic by increasing energy capacity for businesses. The action will also reduce the Operation and Maintenance (O&M) costs associated with the water production from the EU funded Gaza Central Desalination Plant (GCDP).

From a political perspective, the action will equally contribute to reinforce the PA's institutional presence in the Gaza energy sector. It will be complementary to parallel EU pipeline actions promoting the reform of electricity sector in Gaza and the development of the legal framework for hydrocarbons. The action supports the overall EU objective to protect the viability of the two-state solution and illustrates EU's enhanced engagement to support converging Palestinian and Israeli interests with the EU triangulation efforts that should build confidence between the parties.

The action contributes to the implementation Joint Communication on a "Renewed partnership with the Southern Neighbourhood – a new agenda for the Mediterranean" and its Joint Staff Working Document,⁴ notably through the Resource Efficiency flagship aiming to a step change in access to clean and affordable electricity in Gaza, contributing to development, humanitarian needs and stability. Finally, the action is in line with the effective and efficient management of resources and of fostering a sustainable environment, as part of the priorities set in the National Development Plan (National policies 12 and 31) and in Pillar IV "Climate change and access to self-sufficient water and energy" of the upcoming European Joint Strategy (EJS) in support of Palestine.

2. RATIONALE

2.1. Context

The closure of Gaza and the absence of any clear political horizon have led to high level of frustrations, lack of cohesion, reforms' setbacks and de-development, and recurrent waves of violence. Authority remains highly fragmented between the de-facto government in Gaza and the PA in the West Bank. However, the PA possess a chance to play an active role in enhancing the Gazan standard of living through its responsibility for infrastructure projects that will contribute to the wellbeing of Gazan population. As reported in the latest Risk Management Framework in June 2020, West Bank and Gaza is an occupied territory and as such violent conflict of variable intensity is present at all times. Lack of freedom of movement, the excessive use of force and the Israeli closure of the Gaza Strip have been identified as lead drivers of conflict.

Climate change is considered as a potential driver of conflict, in particular in the Middle East. West Bank and Gaza are subject to the impact of climate change, as predictions for the Eastern Mediterranean indicate a serious reduction in rainfall and increasing temperatures, in the mid and long-term. The consequences of this situation are numerous in various economic sectors, leading notably to increased energy demands to cope with more weather extremes. In Gaza, the water sector is one of the main energy consuming sectors and increased investments in this sector to respond to economic, humanitarian, and environmental concerns will accentuate this trend. Due to these vulnerabilities, the development partners and the PA authorities are gradually integrating climate change risk management into their sector plans and development programmes.

Women, including adolescent girls, are identified as the most disadvantaged group according to the UN vulnerability assessment and the Social Development Sector Strategy 2017-2023. Energy crisis in Gaza negatively affects many aspects of Gazan life: poor access to water and sanitation, health, business development and employment, education, and environment. Women and girls are directly affected by the situation.

Access to energy is at the heart of development, but represents a huge challenge for West Bank and Gaza Strip. Gaza's energy deficit is of about ~300 MW at present, with an electricity demand of ~500 MW and a supply of only ~200 MW. In the Gaza Strip, power is available on average only for 12 hours a day and Gaza is experiencing repeated severe energy crisis (i.e. August 2019). Solutions are needed to secure a reliable power supply to households, to the water facilities, notably those under development (i.e. GCDP), and to enable private sector development.

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021SC0023&from=EN>

West Bank and Gaza Strip rely primarily on imports from Israel to meet their electricity needs of 1.643 MW. The Israeli Electric Corporation (IEC) supplies about 90% of electricity. The situation differs significantly between the West Bank, where IEC imports represent 95% of consumption, and Gaza Strip, where they represent 64% thanks to the Gaza Power Plant. The imported energy from Israel according to BS Statistical Review of world Energy in 2020 is carbon intense, mainly produced from oil (45%), natural gas (34%) and coal (19%).

Concerning the degree of adherence to and respect of fundamental values, democracy and the rule of law in the occupied Palestinian territory there are three principal duty bearers: Israel as the occupying power, the Palestinian Authority (PA), mostly, but not only, in West Bank, and the Hamas-led de facto government in Gaza. There are serious concerns regarding the respect for fundamental rights on the part of all three duty-bearers, although to a varying extent. The Risk Management Framework report 2020 assessed the political risks as being substantial on Human rights, Democracy and Rule of Law. The mitigation measures to be considered for the next years include in particular increased political engagement at all fronts mentioned above but with a particular emphasis also in Gaza. The reconciliation in Gaza and the increased presence of the PA in Gaza Strip are seen as key steps to ensure development.

This action is fully relevant in the context of Palestine's National Development Plan 2021-2023. Within the sustainable development priority, energy holds a key place in the sector policies and in the economic development. In the energy sector, developing access to available, sustainable and affordable electricity is the priority of the government. In order to respond to the increasing demand for energy in Gaza, Palestinian Energy and Natural Resources Authority (PENRA) has a programme of interventions, among which, the Gas for Gaza project. In addition, PENRA has produced a Gaza Master Plan 2020-2030 that gives a roadmap for the expansion of energy generation, long-term transmission and distribution expansion. It notably includes promoting and developing power generation based on using natural gas.

The Palestinian Authority (PA) through the Nationally Determined Contributions (NDC, 2016 and updated NDC, 2021) to the United Nations Framework Convention on Climate Change (UNFCCC) has committed to being an active player in tackling and responding to climate change. In that document, an ambitious target was set (for 2040) to reduce the carbon emissions by 17,5 % through implementing a series of measures such as transition to photovoltaic generation, energy efficiency, use of waste for electricity generation, etc.

The G4G is aligned with Union for the Mediterranean (UfM) priorities and is one of the flagship projects of the Joint Communication on a Renewed Partnership with the Southern Neighbourhood – A New Agenda for the Mediterranean – (“Flagship 11 – Resource efficiency”). It delivers on the external dimension of the European Green Deal⁵ by contributing to accelerate the global energy transition. G4G is a medium term investment in fossil fuel based infrastructure, offering a pragmatic response to the Gaza humanitarian crisis while allowing a unique reduction of carbon emission.

When it comes to ensuring complementarity, synergy, coordination and linkage to existing interventions, the action is designed in a continuum with EU previous support to the energy and hydrocarbon (HC) sector. Concerning policy dialogue, since 2020, the EU has linked progress in the energy sector to its incentive-based approach implemented through the PEGASE direct financing programme. Concerning technical assistance (TA), the EU provided TA in 2014 to restructure the Palestinian HC sector that contained a comprehensive study of the whole energy sector, paving the way for the current programme. Additional EU technical assistance will support the implementation of the Palestinian Hydrocarbon Sector reform, including a twinning project for Strengthening the Institutional Capacity of the Palestinian Energy and Natural Resources Authority (PENRA) and of the Palestinian Electricity Regulatory Council (PERC).

⁵ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

Furthermore, in Gaza, the EU is conducting an Institutional Assessment of the electricity sector with two objectives: a) to define a roadmap for solving the electricity crisis in Gaza Strip, and b) to contribute to the definition of a Gaza Energy Finance Platform for improving electricity supply in Gaza Strip and improve financial transparency related to electricity supply. The Gaza Electricity Distribution Corporation (GEDCo) audit was already completed and its recommendations would be implemented under an Action plan, which will start in the second half of 2021.

Other synergies relate to other players such as the Office of the Quarter (OQ) and the European Investment Bank (EIB) as well as a number of Member States financing agencies with whom the EU collaborates closely in the energy sector. The Office of the Quartet, supported by a number of donors including the EU, plays a pivotal role, especially on gas-related matters, by chairing the Gas for Gaza (G4G) Task Force. The Netherlands support the hydrocarbon sector, technically and financially through their support to the OQ. The EIB has a gas sector senior expert in place, who jointly with the EU has been assessing the G4G commercial structure and feasibility throughout the identification and design phase. The EIB is considering financing the Jenin Power Generation Plant (Jenin IPP), the first power generation project in the West Bank.

2.2. Problem Analysis

Access to energy in Palestine, and in Gaza Strip in particular, is one of the most critical issues, for economic, social and environmental reasons. The lack of sufficient infrastructure and of sustainable energy management has led to a severe shortage supply of energy underpinning the chronic political turmoil and the PA's financial burdens, hence strongly limiting hopes for peace, sovereignty and prosperity.

Gaza is suffering a humanitarian crisis, which is characterized by a severe shortage of both energy and water. Gaza's energy deficit is of about ~300 MW (electricity demand of ~500 MW and supply of ~200 MW). This critical energy crisis directly impacts the developmental situation of Gaza, notably at the following levels:

- **Economic development:** the lack of electricity and its cost negatively affects all sectors of the economy.
- **Social dimension:** the current cost of fuel-generated electricity by Gaza Power Plant (GPP) is almost three times higher than the price estimated when using natural gas (NIS 1, 05 per kWh against NIS 0. 30 per kWh), affecting in particular the poorest households. The energy supply scarcity is also catalysing secondary impact on availability and affordability of safe drinking water, which is associated to health benefits.
- **Environmental issues:** The diesel generators contribute to the productions of high emissions of ground-level ozone and carbon dioxide, which damages vegetation, and produce acid rain.

The Gaza Power Plant is so far the only large-scale power plant in West Bank and Gaza. GPP is an independent power producer, owned and operated by the Gaza Power Generation Company (GPGC). Consolidated Contractors Company (CCC) is the majority shareholder of GPGC, which operates GPP under a concession with the Palestinian Authority. The concession is expiring by mid-2024. The Gaza Power Plant has a 140 MW capacity. Yet, the high cost of diesel fuel and difficulties in sourcing the fuel makes the plant extremely expensive to operate, leading to only half capacity use (50 MW to 80 MW). GPP has also suffered recurrent damages caused by the repeated bombarding of Gaza. The conversion to natural gas would reduce electricity production costs by two-thirds and support future expansions as illustrated in the following table.

The Palestinian Energy and Natural Resources Authority (PENRA) leads the energy sector yet the institutional framework of the hydrocarbon subsector is almost non-existent, with the only existing institution being the General Petroleum Corporation (GPC), under the responsibility of the Ministry of Finance and Planning (MoFP). GPC is in charge of issuing licenses for distribution stations, purchases petroleum products from Israel, set the tariffs and sells them to the distribution chain in West Bank and Gaza. The Hydrocarbon Sector reform is on the agenda of the government and several major steps are announced for 2021, starting

with the adoption of a Law regulating the HC sector and the setting up of a Natural Gas Company, which will own and operate the pipeline.

Achieving the overall objective of this intervention as well as sustainability and economic viability of the entire energy sector is subject to the implementation of the hydrocarbon sector. The reform is based on the adoption and implementation of the hydrocarbon Law and on the reinforcement of the capacities of PENRA and of the other PA relevant entities. It also includes the reform of the Gaza energy sector, which has been accelerated by the EU funded audit of GEDCo.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The **Overall Objective** (Impact) of this action is to provide Gaza with access to affordable, reliable and sustainable energy and combat climate change and its impact.

The **Specific Objective** (Outcome) of this action is to ensure availability of natural gas to the Gaza Power Plant (GPP) in order to allow its operator to shift energy production to a gas based technology, allowing production of cleaner and less costly electricity.

A single **Output** will be delivered by this action, contributing to the corresponding Specific Objective (Outcome): an operational pipeline constructed with modern technologies, which will allow the gas transmission to the Gaza Power Plant.

Indicative Activities

Activities related to the pipeline construction include: the construction of the pipeline infrastructure, with modern technologies, and the related tendering, contracting and works supervision.

The tender dossier will be based on the Environment and Social Impact Assessment (ESIA) and the detailed designed studies are already on going.

It should be underlined the fact that the conversion of the GPP is not covered by the scope of this project and that this conversion should be planned and executed in parallel to the current project, so that the GPP could be operational on natural gas by the end of the pipeline construction.

3.2. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

The environmental and climate change risk screenings carried out in the design stage concluded that an (ESIA) should be undertaken. The ESIA contract was signed in December 2020. The first phase of the ESIA, Gaza Environmental Social Scoping Study has started in Q1 2021 and will be finished in Q1 2022. The second phase of the ESIA will be concluded in Q3 2022.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that in line with the priorities of the EU Gender Action Plan III 2021-2025, G4G will have direct or indirect activities on: a) Freedom from all forms of gender-based violence, b) Promotion of sexual and reproductive health and rights, c) Strengthening of economic and social rights and empowerment of women and girls, d) Advancement of participation and leadership.

Human Rights

Rights-Based Approach: the action assists in ensuring basic rights for an adequate standard of living, such as access to energy and essential services. With regard to access and affordability, the provision of increased energy production will relieve the deficit and have a positive effect on the price of energy services, reducing the dependence on diesel-generated energy. A much more important part of the population, especially from poor layers, will have access to cost efficient energy.

Good governance:

The use of local systems and empowerment of local stakeholders are embedded in the design of the activities. The project is closely linked to the Energy Sector Reform in Gaza and to the strengthening of the stakeholder's capacities, transparency and sustainability.

3.3. Risks and Lessons Learned

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
External environment	Unpredictable deterioration of political/security situation	High	High	The project will use decentralised implementation modalities, adapting criteria to select implementers to secure the highest grade of independence of the interventions from the uncertainty of the local level whenever possible.
External environment	Unpredictable Israeli policies and actions e.g. further restrictions regarding the movement of goods and people	Medium	High	The IL Authorities will be closely involved in the preparation of the project. Specific mechanisms for the G4G project are being developed through the Office of the Quartet. It notably includes regular 'Task Force Meetings' involving the PA, IL and donors. Israel and the EU will continue their close cooperation and coordination on G4G project. A formal commitment to support the project may be asked to IL authorities.
Political / Reputational	The EU is criticised for supporting a source of energy that is carbon-based.	High	High	The action will diminish emissions on the ground up to 40% and decrease local air pollution. It proposes the best feasible approach for Gaza. The EU will develop a proper communication strategy to explain the situation.
Planning, processes and systems;	Lack of Qatar commitment, insufficient funding of the	Low	Medium	This current decision provides 25% of the estimated needs of the pipeline project on Gaza side (incentive tranche). The second tranche will be decided according to the progress on

	project and its associated works			<p>the project (reform, Gas Sale and Purchase Agreement (GSPA))</p> <p>Qatar has formalized its commitment to fund the Israeli section of the pipeline. However, this is subject to three conditions: IL approval of the G4G project, signature of GSPA, agreement between PENRA and the Gaza Power Plant contractor to expand the capacity of the plant. These conditions will be discussed with Qatar and closely monitored. EU will facilitate their achievement when possible.</p> <p>Advocacy work with international donors is ongoing to fund the associated work.</p> <p>EU will support mobilisation of IFI to guarantee the investment by private sector in the GPP conversion and possible expansion.</p> <p>A wide donor mobilisation through the AHLC meeting is also considered.</p>
Legality and regularity aspects	Palestinian Hydrocarbon sector capacities are either not developed or not aligned to the required minimum standards	High	High	<p>Policy dialogue is focused on pursuing the energy sector reform, including through the PEGASE programme incentive-based tranches.</p> <p>The EU will further its support to the hydrocarbon reform through high level policy dialogue with the PA PMO and, with the international community key actors in the sector (EIB, World Bank, Norway and the Netherland), and by enhancing the OQ capacities in promoting the energy sector.</p>
Legality and regularity aspects	GEDCO doesn't reform and do not implement the audit recommendations allowing the project financial sustainability	Medium	Medium	<p>Together with the PA and key international partners (World Bank) the EU will closely follow-up the implementation of the GEDCO audit recommendations. A dedicated financial envelope is available to support.</p>

Lessons Learned:

The main **lessons learned** from previous energy projects in Gaza and the West Bank include the following:

1. Lack of progress in the energy sector reform impedes progress in infrastructure investments and jeopardizes the sustainability of these investments. It is critical to keep a strong link between reform and infrastructure support. Joint efforts of the donors through policy dialogue and programmes will be reinforced to accelerate the energy sector reform. EU has set pre-conditions for the funding of G4G and the PEGASE incentive based approach will act in complementarity.

2. The lack of progress in the energy reform sector has created ambiguous consensus on the role of different energy bodies in Gaza. The EU funded Institutional Assessment of the Electricity Sector in Gaza reviewed the institutional arrangements and audited the financial practices related to the supply of electricity in the Gaza Strip. The main findings and recommendations of the audit are major governance issues (absence of Supervisory board, lack of transparency); the delicate financial situation of GEDCO due to high level of energy loss. The report makes no indication to any 'misuse' of funds as confirmed by the cash flow analysis. The report allowed the drafting of an action plan covering institutional, financial and technical aspects to bring more transparency in GEDCo management and better financial sustainability. Reform of the Gaza energy sector is of critical importance and the deployment of the G4G and its associated work will be linked to the progress in this reform (Action Plan for follow up on GEDCO reform is key).
3. Water Energy nexus outlines the importance of the energy planning to ensure the sustainability of the investment in the water sector. The G4G will be critical to allow sustainability of the GCDP and this dimension will be taken into account in the detail design of the project
4. The private sector has an important role to play in the development of commercially viable energy projects. G4G programme should allow to leverage subsequent private investments for conversion / expansion of the GPP. The mobilisation of private funding for the IPP will be given due attention and mobilisation of FI is foreseen
5. PA can play an active role in enhancing the Gazan standard of living through infrastructure projects. Playing a proactive role in leadership, securing funding and implementing large-scale infrastructure projects will re-enforce the PA responsibility while being seen as the champion and legitimate leader. Furthermore, PA leading role will improve Donor confidence, transparency and sustainability of future funds. G4G is an opportunity to reinforce PA presence in Gaza through the implementation of a flagship project that will improve living conditions in Gaza.

Finally, the launching of a high visibility project as G4G should also be seen as an opportunity to create a momentum around Gaza energy sector. The current G4G project is a first step in a series of future actions, such as the expansion of GPP capacities, the realisation of associated works of transmission and distribution infrastructure development.

3.4. Intervention Logic

Access to energy is at the heart of social and economic development. Securing access to energy in Gaza is central to improving the lives of Palestinians and creating the conditions for private sector development and economic growth. It is also a political milestone to an independent, sovereign and prosperous statehood. Gaza's energy deficit is of about ~300 MW. In the Gaza Strip, power is available on average for only 12 hours a day with a recurrent energy crisis. Solutions are needed to secure reliable power supply to households, but also sustainable supply to the newly (being) built water plant facilities including the major ongoing investments and energy intense projects and enabling pre-conditions to the private sector development and growth.

Against this background PENRA, in partnership with the European Commission, the Netherlands and the Office of the Quartet, has progressed in designing an investment programme to provide gas supply to Gaza, the Gas for Gaza (G4G), for an overall project cost of USD 85-100 million, shared as follows: Cost in Israel: USD ~ 70-80 M, Cost in Gaza USD ~ 15-20 million. The G4G project is intended to connect Gaza to the Israeli natural gas network. This will provide natural gas principally to the GPP; Gaza's only power plant) to support its operation at 140 MW and its expansion to 600 MW by 2033, with possible connections to other consumers as well.

This project, directly contributes to the energy transition toward less carbon intensive electricity generation, by dividing by two the carbon emissions by 2033. By converting the GPP energy production (140MW) from diesel

to gas, the carbon intensity (MtCO₂e) will decrease by 41% in the first year, an offset of 280 000 metric tons of harmful carbon emissions. In line with the European Green Deal, the G4G project will transition Gaza to a lower carbon, more affordable and secure energy supply.

This project should be seen as the first step of a larger program with a multitude of work streams such as the conversion of the GPP, its extension to a bigger capacity of production (from 140 MW to 600 MW and more) and the associated works on the extension and upgrading of transmission and distribution system in order to ensure the evacuation of the load. More broadly, it is in line with the energy transition strategic plan for Gaza.

The output of this Action is the construction of a 4 km pipeline in Gaza Strip. The Israeli section of the pipeline (40 km) will be funded by Qatar. The formal commitment of Qatar was communicated to the EU on 21 April 2021. The main infrastructure works following the contracting are: the pipeline, the block valves and emergency shut down, standard pipeline intrusion detection and Condition Monitoring System, gas-receiving station, future connections, Gas receiving station.

The promoter and the owner of the pipeline on the Gaza side of the pipeline are not formally identified yet, but the future Hydrocarbon Law should setup a dedicated Public Company (Natural Gas Company).

Therefore, the **first condition** to the realization of the Gaza pipeline side is the adoption of the Hydrocarbon law, which will provide a policy and regulatory framework as well as the sector framework including the creation of the Palestinian Gas Operator. As soon as the operator is created, a Technical Assistance of the HC Sector implementation will be provided by EUREP. The construction on both the Israeli and Gaza sides will follow the signing of several key commercial agreements starting with the GSPA.

Consequently, the **second condition** on the project realisation, key structuring agreement, is the Gas Sales and Purchase Agreement (GSPA), which is to be signed between the gas seller (Chevron-Delek) and the gas buyer (PA). The pipeline infrastructure and all associated works, once realized, will allow availability of the gas at the GPP, which is the outcome of this project. The impact of the project, access to affordable, reliable and sustainable energy and reduction of Carbon emissions will be reached after the GPP conversion to gas is completed, the project that will be done in parallel (not included in this action).

3.5. Indicative Logical Framework Matrix

Results	Results chain: Main expected results	Indicators: (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	Access to affordable (decrease average price), reliable (stable energy supply) and sustainable energy (reduction of carbon emissions) Combat Climate Change and its impact	1. Affordable: average electricity price per KWh 2. Reliable: reliability of energy supply through the grid 3. Sustainable: annual weight of carbon emissions	NIS 1,05 / KWh 12 h/day 560 metric kilotons of carbon equivalent per year	NIS 0,30 / KWh 19h/day Target: ~280 metric kilotons of carbon per year	Palestinian Central Bureau of Statistics (PCBS)	<i>Not applicable</i>
Outcome	Availability of Natural gas supply at the GPP	Quantity of MW produced by GPP using gas	60 MW (with diesel)	140 MW (after gas conversion)	Palestinian Central Bureau of Statistics(PCBS)	<ul style="list-style-type: none"> - The Conversion of GPP to Gas is realised with adequate technology. - GEDCo reform implemented - Full PPA signed - Associated works are funded - The HC sector reform is continually and steadily implemented
Output related to	An operational	Length of pipeline and	0 km	4 km	Project reports	<ul style="list-style-type: none"> - The IL section of

the Outcome	pipeline built to allow transmission of gas to the GPP	its associated infrastructure completed (built)				the pipeline is built - Guarantee on gas payments is ensured and gas is provided by the gas supplier according to the GSPA
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4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is **72** months from the date of where a financing agreement is concluded.

Extensions of the implementation period may be agreed by the Commission’s responsible authorising officer by amending this financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁶.

4.3.1. Indirect Management with a pillar-assessed entity

This action may be implemented in an indirect management with a pillar-assessed entity, which will be selected by the Commission’s services using the following criteria:

- substantial technical and administrative capacity to implement infrastructure works of this magnitude and nature, previous/current experience in the implementation of projects in West Bank and Gaza,
- previous and/or current experience working and coordinating with the EU projects and experience in the energy sector.

A like-minded entity with a long-term strategy for the energy transition in West Bank and Gaza would bring an important benefit to the project.

The implementation by such entity entails the tendering of the pipeline infrastructure works, the contracting of the works and works supervision and the follow-up of the execution of the pipeline work, control of the technical and financial execution of the project. This implementation refers to the output of the project “An operational pipeline built to allow transmission of gas to the GPP”.

⁶ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails

4.3.2. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If under 4.3.1, the negotiations do not conclude, the method of implementation will shift to direct management.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realization of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.4	Indirect management
Output An operational pipeline built to allow transmission of gas to the GPP	5 000 000
Indirect management	5 000 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	will be covered by another decision
Communication and visibility – cf. section 6	will be covered by another decision
Total	5 000 000

4.6. Organisational Set-up and Responsibilities

The implementing partner will sign a financial agreement with the Palestinian Authority and a contribution agreement with the EU. The tendering, contracting and supervision of works will be implemented by the Implementing Partner under its own procedures.

A Steering Committee, chaired by PENRA, will be set-up with relevant stakeholders and with the main objective to oversee the implementation and intervene on key issues arising at policy level. For a transparent and effective implementation, a Project Management Committee (PMC) may also be established. Its main mandate is to ensure the respect of technical standards, provide technical inputs and review project progress.

Stakeholders will coordinate to ensure a streamlined supervision, reporting, and evaluation of project activities through joint supervision missions, at least every six months. The supervision missions will be documented by joint "aide memoires" that summarise commonly agreed issues and actions. The G4G Task Force meetings chaired by the OQ and gathering all the stakeholders (IL, PA, and international stakeholders) will also contribute to better exchange of information and steering of the project.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures (Steering Committees) set up for governing the implementation of the action.

4.7. Pre-conditions

The pre-conditions for this action to be fulfilled in principle before the signature of the financial agreement are:

1. Signature of the Gas Sales and Purchase Agreement;

2. Progress in the process of adoption of the Hydrocarbon Law and the creation of the Natural gas company;
3. The implementation and progress of the institutional reform at Gaza Electricity Distribution Corporation by finalising and adopting of GEDCO audit and the associated action plan.

Yet the pre-conditions are subject to the evolution of the overall context in West Bank and Gaza.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the log frame matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The Palestinian Authority and its relevant bodies (including PENRA) will monitor the energy situation in Gaza, in coordination with GEDCO and relevant institutions. The implementing partner will ensure data collection, analysis and monitoring. The implementing partner will notably ensure preparation of regular reports on the implementation of the project and provide detailed monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation, SDGs indicators and jointly agreed project indicators. The Environmental Management Plan (output of the ESIA) will be integrated as part of the monitoring and reporting system.

5.2. Evaluation

Having regard to the nature of the action, a mid-term and a final evaluations will be carried out for this action via independent consultants contracted by the Commission and via the implementing partner.

Mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to the progress of the implementation of the project.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account the fact that G4G is an innovative action for Palestine.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract in the middle and at the end of the operational implementation.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. COMMUNICATION AND VISIBILITY

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions, to advertise the European Union's support for their work to the relevant audiences.

To that end they must comply with the instructions given in the [Communication and Visibility Requirements of 2018](#) (or any successor document), notably with regard to the use of the EU emblem and the elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

These obligations apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries or entrusted entities. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Communication and visibility measures may be funded from the amounts allocated to the action. For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds.

Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.