

Remarks to the AHLC Technical Meeting

John N. Clarke

Acting Head of Mission

18 September 2017, New York

-As prepared-

As with the two previous Office of the Quartet (OQ) reports to the Ad Hoc Liaison Committee (AHLC), the focus of this report remains largely on **energy and water**, both of which are central to improving the **lives** of those most in need and to **creating the conditions** under which economic growth can be realized. But like all the areas in which we work, they also have a **multiplier effect** – or an impact that extends beyond the narrow output of any single policy or project.

Two points are worth noting at the outset: First, while we believe that this agenda has great potential, we have to recognize that while it can serve as a **support to final status negotiations, it cannot and should not supplant them.**

Second in a time of diminishing **aid budgets**, we should congratulate the PA for the continued trajectory of improved management, but also acknowledge that providing direct budget support needs to be maintained as the PA continues to reform – and here the IMF has already referred to civil service reform.

OQ Approach

The approach adopted to energy and water is both **sector wide and holistic.**

Take Gaza's energy needs for example: We know that the gas pipeline which will connect Gaza to natural gas requires a power plant that is reconverted from fuel; the power needs to enter a grid in which both technical and non-technical losses are minimized and in parallel a high voltage 161 kV line needs to be established as collections increase in order to build the commercial viability of the sector as a whole. Finally, and as UN Special Coordinator Mladenov referred to – we hope that positive signs from Cairo can help to move beyond the current impasse, which has resulted in a further deterioration of an already desperate situation.

In substantive terms our approach to both energy and water has three similar components which require that we:

develop infrastructure that is fit for purpose,

expand supply whether of water and energy and we need

ensure that each sector is **commercially viable** in order that it ultimately does not create an undue burden on the PA.

Developments in the reporting period

The reports prepared by the IMF, the World Bank and the UN give a granular assessment of the situation on the ground. While a great deal remains to be done, there has been progress on some of the issues which were discussed at length at the last meeting of the AHLC.

The implementation of the **September 2016 electricity agreement** is paving the way for the establishment of a new Palestinian electricity market. This has the potential to **reduce reliance** on the donor community, improve commercial viability, and increase Palestinian Authority (PA) control over the sector, by addressing cost recovery challenges, ensuring the predictability and reliability of electricity supply, and making cost-efficient power generation possible.

In July this summer the parties reached a **mini Power Purchase Agreement (PPA)** which resulted in the Jenin substation being energized. This was important in and of itself but also enabled the start of negotiations on the full PPA.

In an **August** meeting of the parties, convened by the US Government and hosted by the OQ, we saw clear positive momentum towards their objective of **concluding a sustainable PPA in a timely manner** and we hope to see further progress soon. However, of the **\$40 million required** for implementation only one quarter has been secured.

A holistic approach is also required in the **water sector**. Ninety-seven percent of the groundwater in Gaza is not potable, while raw and partially treated sewage is leaked into the environment including the Mediterranean. In this regard, progress towards the completion of **NGEST** is welcome and we hope to see the completion of the project by the end of the year, along with the provision of adequate electricity to allow it to operate in a sustainable manner.

Though less acute than in Gaza, the **West Bank faces serious water challenges** as well, with an estimated **supply gap** in potable water of minimum **20 MCM by 2022** and with increasing amounts of wastewater polluting the environment. Wastewater infrastructure has been identified by the **PWA** as a priority area – and one of four areas where packages have been developed to address the water sector in both Gaza and the West Bank. This we believe represents a shared interest of both parties.

There has also been progress in the implementation of the **2013 MoU on the Red Sea–Dead Sea project (RSDS)**, for which additional funding of \$8.5 million is required for infrastructure in the Northern Gaza Strip.

Preparations for the **Gaza Central Desalination Plant** continue both with the Palestinian Water Authority, which has developed a critical path towards implementation including clarifying roles and responsibilities as well as a recent letter from the Government of Israel providing clear parameters and timelines for the entry of “dual use” material. In parallel, the PWA has also made progress including in clarifying the governance structure of the plant. It is now essential that all work to further accelerate progress. However, given the acute nature of the crisis, the **import of bulk water** into Gaza remains an important transitional solution.

Finally, on water, the resumption of discussions within the **JWC and the JTC** is welcome, but progress needs to be accelerated and donor support for the infrastructure work is encouraged, including for the package of West Bank wastewater works to which I have already referred. As part of the change required, the PWA is encouraged to advance its **regulatory reform**, and the GoI is encouraged to provide the **approvals needed for construction in Area C**.

Finally, on **2G/3G** we have seen progress with the clearance of equipment by the ICA – a critical step in enabling what we hope will be the commercial launch of the 3G and 2G networks by the end of the year.

Let me conclude by saying that we will continue our engagement with the parties in all of these areas to finalize implementation, including in the coming months in the essential area of MoF-to-MoF dialogue.