Acceleration of infrastructure projects in the energy and water economies to encourage economic growth

The spread of COVID-19 and its implications for the world economy in general and the energy economy in particular, require extreme vigilance in managing civic and government priorities. The crisis, which began as a health crisis and developed into an economic crisis, will deepen as long as there is no solution for the health issue. It is also likely that the economic crisis will stay with us for a long time, even after the health crisis is over. In the last global economic crisis in 2008, Israel got through the crisis relatively unscathed, relative to many other countries. The decline in growth was minor and the return to positive growth was almost immediate, unlike most developed countries in the world, which experienced the crisis much more severely. In the current crisis however, it is clear that the results will be different and that the damage to the Israeli economy will be significant.

Although we are currently still in the midst of the health crisis and do not know when it will end, there is no doubt that the day the epidemic slows down significantly will be the day when we will have to respond quickly and decisively to the current economic crisis. Currently, the crisis care is mostly focused on reducing damages by providing support for businesses and the unemployed. Once the health crisis is over, Israel and probably all countries around the world will have to work hard to initiate as many large projects as possible, in order to revive the market, stabilize the economy and create jobs. The actions we take immediately after the crisis are of great importance, since they will turn the wheels of the Israeli economy and help return it to a state of growth and development as quickly as possible. These infrastructure projects must be carefully selected, as they must be the engine that drives the economy on the one hand, and on the other hand they must have long-term economic benefits in terms of cost-effectiveness regardless of the need to get out of the economic crisis we are in.

In conjunction with initiating projects, the state can and should accelerate significant projects through rapid actions to remove barriers from within its boundaries and thus enable their realization. The removal of barriers, which must be done carefully in cooperation with the relevant parties, has the highest benefit as it contributes to acceleration of the economy as stated at no cost and also creates a business reality that allows the establishment of similar projects in the future. Before the state invests tens of billions of shekels in helping to revive economic activity in the economy, the government must make every effort to remove regulatory and bureaucratic barriers that hinder and sometimes even prevent this economic activity.
The means of funding projects in the energy economy are diverse. We believe that this characteristic makes projects in the energy economy attractive, while moving the wheels of the economy, promoting the energy economy and all this based on relatively limited budgetary sources. In general, means of funding can be divided into four main categories:

A. **Budget funding** – this type of funding is present in the energy economy on a small scale and for the most part leverages private investments of significantly large scales. Examples are grants for investing in efficient energy and grants for accelerating the deployment of the gas distribution network.

B. **Tariff funding** – exists in all sectors of the energy economy. This allows for expansion in the scope of development plans while spreading the tariff repayment over time, its expansion is conditional on the existence of reasonable funding options for government companies.

C. **Private sector participation** – exists mainly in electricity and water domains. This allows project financing by the private sector while repaying through the tariff over time.

D. **Private financing** – there are several significant projects in the energy economy that the private sector is expected to finance independently and in order for these to be launched, regulatory barriers need to be removed.

The Ministry of Energy considers itself responsible for development of the energy infrastructure sector in Israel within its areas of responsibility. Therefore the Ministry has the burden of proof and examination regarding benefits to the economy from the projects proposed here. We have selected projects in a wide range of the Ministry’s areas of practice, in order to spread the investment to a wide range of areas. The total of investments from all the projects in the field is about ILS 25 billion. Among the projects we see fit to accelerate are:

1. Promoting new renewable energy (solar) projects with a scope of 2000 megawatts and an investment volume in the economy of approximately ILS 5.6 billion – investment in clean and sustainable energy

2. Providing the economy with an incentive to establish local solar energy by providing a state-guaranteed loan fund in the amount of ILS 500 million, which will incentivize the economy to invest an additional 5.3 billion in renewable energies – investment in clean and sustainable energy.

3. Removing barriers to the promotion of existing wind energy projects – removing the barriers will enable promotion of the 'Bereshit' wind project and others in its wake. Investment in the economy for this project alone will amount to ILS 2.1 billion and will lead to the required diversity in renewable energies and ensuring energy redundancy and security, all the while creating additional clean and sustainable energy.

4. Removing barriers to enable rapid and efficient development of the electricity transmission and distribution networks – development of the electricity network is critical and necessary for creating a reliable, efficient and sustainable energy economy. This will creatin long-term infrastructure that will serve Israel and its residents for many years.
5. Leading an action plan for an energy-efficient urban space in cities. This project will have a budgetary and municipal investment of approximately ILS 300 million and will enable the promotion of an efficient and clean energy environment, reduce urban pollution, help with tackling the climate crisis, incentivizing innovation, adopting new technologies (smart homes, electrification of buildings in the city), economic savings and more. The creation of energetic resilience centers that will ensure a regular supply of electricity in an emergency while investing only tens of millions of shekels.

6. Alternative propulsion for transportation – investment in promoting an alternative clean energy for transportation, whether by electricity or in the development of additional clean fuel substitutes, promoting heavy transportation with natural gas and R&D. This is a budget investment of ILS 180 million that will lead to a private investment of at least an additional ILS 180 million and will advance us on the path to creating clean and non-polluting transportation.

7. Connecting the city of Eilat to the natural gas network – a project with a maximum volume of ILS 700 million (there are partial alternatives with much lower costs), which will allow the city of Eilat to enjoy natural gas.

8. Constructing a new fuel port in Haifa – this project will result in an economic investment of about ILS 600 million, a very important investment for the purposes of producing an efficient, safe and cleaner infrastructure for the absorption of fuels and distillates, a need that is essential and sustainable both short-term and long-term.

9. Infrastructure consolidation – creating synchronization in the establishment of gas distribution infrastructure with transportation infrastructure (light rail, subway, Netivei Ayalon, Moriah, etc.) – this step will lead to an investment of about ILS 250 million and will enable the construction of unified efficient infrastructure, with significant savings, while creating long-term integrated infrastructure.

10. A tender for the construction of a solar field in Dimona that will produce about 500 megawatts. The expected volume of investment in the economy as a result is about one billion ILS. A tender committee has already been set up to promote this project but it is being delayed due to internal government disputes.
Natural gas: Development of natural gas and deployment of the transmission and distribution network in Israel are without a doubt the flag projects of recent years in the field of infrastructure in Israel. The networks must continue to be deployed due to its important benefits: distribution of natural gas to all industries in the country, environmental benefits, in light of its economic benefits to consumers, it contributes to state revenues and makes Israel an energy independent country.

Electricity: Following the reform of the electricity sector in 2018, we must continue to establish the Israeli electricity network as a strong and reliable network and to work harder to encourage competitiveness and decentralization in the network. In addition, large-scale projects are proposed to promote renewable energy and other projects that will jumpstart the Israeli energy economy to meet government goals.

Energy efficiency: Efforts should be made to increase efficiency and reduce electricity consumption through energy efficiency projects, smart meters, encouraging local authorities to become more efficient, etc. The Ministry’s extensive experience, especially in energy efficiency projects, shows that these projects have two main benefits. The first – savings in energy costs for consumers and the economy, resulting in helping the industry become more competitive. The second – state grants leverage investment in the Israeli economy, up to five times, so that every shekel the state invests in an energy efficiency grant, the business sector invests another 4 shekels.

R&D and pilots: In order to preserve the image of a Startup Nation even after the crisis and in order that investors from all over the world return to invest in Israel after the crisis, Israel must continue to support research and pilots in the fields of energy and cyber in order to be at the forefront of the global technological stage.

Fuel: Two significant development directions for preservation and advancement of the Israeli economy; the first is the transition of transportation fueled by natural gas and electricity, necessitating the continuation of
incentive and advancement processes in order to change the fixed thought patterns of these economies. Hence the need for an intensive government incentive to encourage the establishment of infrastructures and to create customers who use this motivation. In addition, it is important to strengthen the state’s ability to import, export and propel transport the transportation fuels which the economy uses and will continue to use in the near and medium future as well as in times of emergency.

Water: Every year, an amount of approximately ILS 1 billion is invested in the national water economy by Mekorot. This investment has been increased recently and stands at about ILS 5.1 billion. With completion of the reform at Mekorot, a large portion of the projects will be implemented through the private sector. We offer a number of projects in the field of water economy, in order to accelerate investments in the economy and to encourage energy efficiency and cost savings to Mekorot and water corporations. It is also proposed to deploy fiber-optic infrastructure together with the infrastructure provided by the infrastructure companies, in order to accelerate the deployment of communications infrastructure in Israel and to utilize infrastructure laying operations for other, low-cost needs as well.

The following graph describes the distribution of investments according to the main areas:

In accordance with the graph, in the field of fuel, LPG and CNG, the total investment required is about ILS 8.1 billion, in the field of energy efficiency about ILS 6.2 billion, in electricity about ILS 18 billion, in natural gas about ILS NIS 5.1 billion and in minerals about ILS 6.1 billion.

As stated, along with the tremendous benefits of investing in projects in the field of energy and water, the government must work to remove barriers to the completion of infrastructure projects in the field. Actions to remove barriers, which depend almost entirely on decisions of the state and its factors, are regularly promoted by the Ministry, but in a time of crisis, they become a real necessity.
In conclusion, a relatively minimal state investment in an energy infrastructure project alongside removal of barriers in the sector could lead to a huge direct benefit estimated at several tens of billions and thus accelerate the economy at this time.