

Bird & Bird

# Renewable Energy in Algeria

Presentation by Andrew Renton

# Background

- 2011 stated intention to build 380MW PV generation.
- 2011 Ministerial Order rules for granting construction permits.
- Note differences with previous Executive Decrees in 1990 and 1991.
- EIA's are mandatory.
- Import consents required for PV panels.
- 2014 FiT regime for wind and solar projects



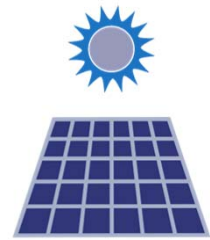
## Background (2)



- Historic IPP projects done in Algeria.
- No history of ADB/IFC/EBRD funding of projects in Algeria.
- Local ownership and industrialisation laws apply.

# More recent events

- 2017 statement for renewable energy capacity by 2035/40.
- By 2030 27% generation from renewables (currently less than 5%).
- Decree 17-98 February 2017 for tender process for renewable projects.
- Three tenders initially for 1350MW each
- Intended to be on debt equity 70:30.
- Debt expected to come from external IFI's.
- FiT won't apply, bids to be on a price per Kwh.



## More recent events (2)

- PPA 25 years but this is in conflict with the previous statements of 5+15 approach.
- No clarity in process on Exchange protection.
- No government undertaking behind payments.
- Identification of the Offtaker not clear.
- No Force Majeure protection on investment.
- Arbitration provisions are not clearly in line with international requirements.
- Local industrial component requirement not clearly specified.



## More recent events (3)

- Land ownership issues not clear in the process.
- Change of Law and termination payment issues still to be resolved.
- BUT expressions of Interest from Statoil and ENI and others.



# What happened next?

- 25 May 2017 Cabinet shuffle the three tenders authorised were announced to be delayed.
- New Ministry of Environment and Renewable Energy.
- New ad hoc committee to be created for the tender process.
- Full review and new action plan to be published but no timeline.
- Former CEO of Sonelgaz appointed as new Minister for Energy.



## What happened next? (2)

- Differing views on whether this is good or bad there is still a stated intention to proceed.
- There may be reasons why it was thought best to put things on hold.

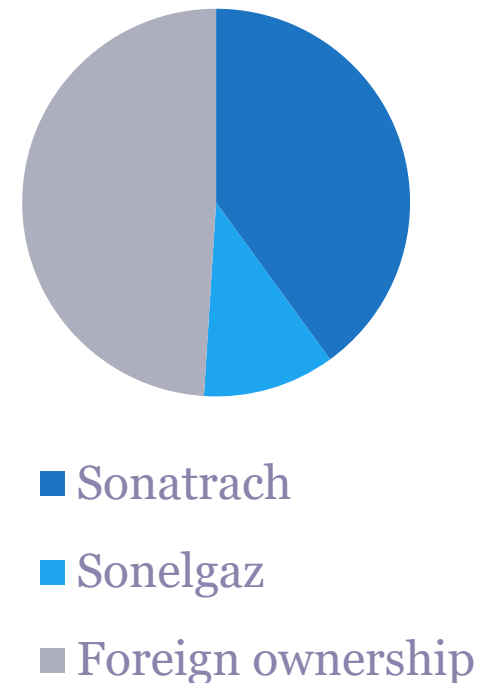




# Structural problems

- Ownership in Algeria is required to be 40% Sonatrach and 11% other Algerian owner (Sonelgaz) with 49% foreign ownership.
- Intended process seemed to say PV components including panels to be manufactured in Algeria.
- Land right have to be owned by Algerian companies so leasehold arrangements to JV company.
- Legislation and regulation is still not aligned with international finance institutional requirements.

## Ownership in Algeria



# Structural problems

- Imbalance within regulations not implemented and state-owned interests not giving guarantees on payments.
- Exchange rate protection and DRP is a major issue for IFI's.
- The structure is not there yet but putting things on hold to look at it is a good move for Algeria.