

# Tunisia Renewable Energy Framework

MESIA Webinar

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**IFC**

**International  
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# IFC - A Member of the World Bank Group



*World's largest multilateral private sector investor in emerging markets*

- *US\$52 billion investment portfolio*
- *US\$18.8 billion in long term investment provided in FY16*

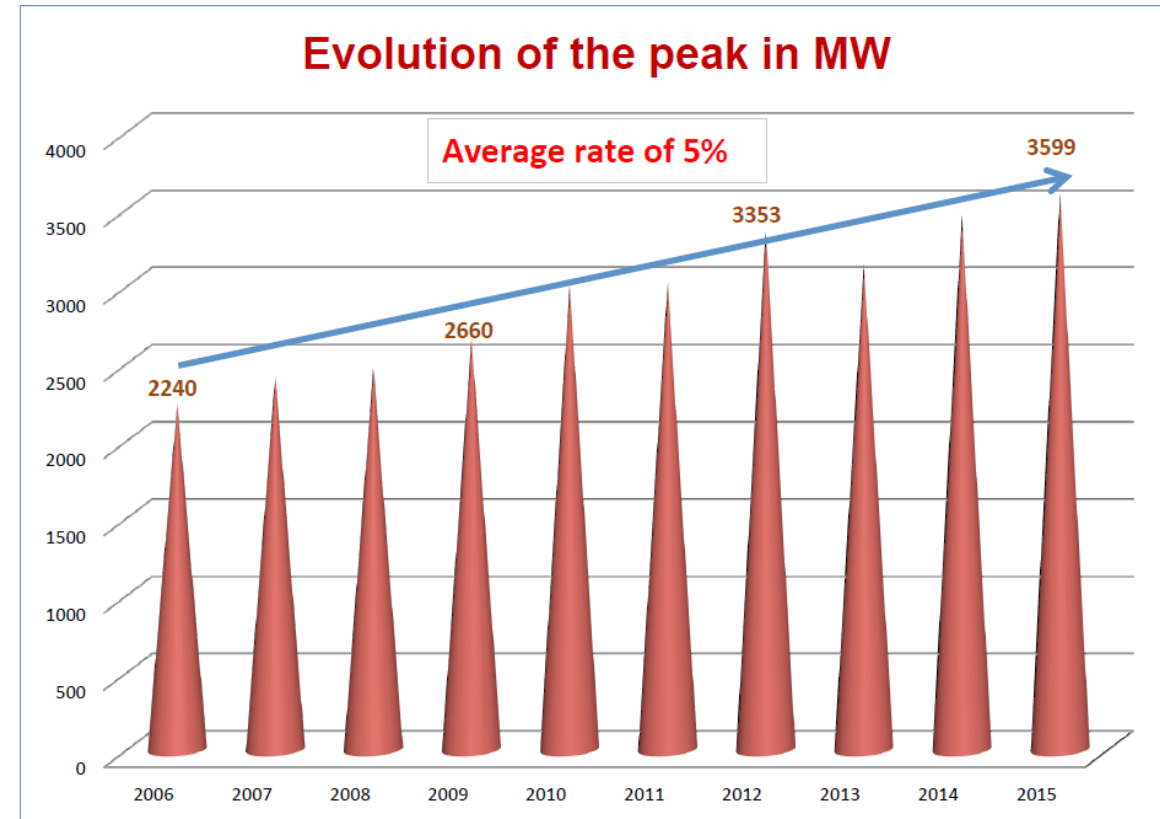
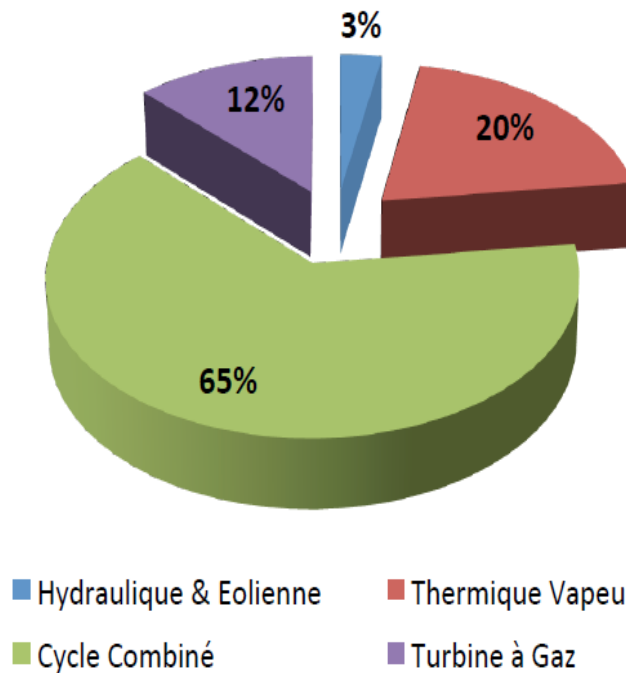
*Global expertise with local presence*

- *104 regional offices present in 98 countries worldwide including Tunisia*
- *59% of staff based in field offices*

# Tunisia power sector at a glance

Renewable capacity	310 MW
Installed capacity	5 467 MW
Renewable Energy	519 GWh
National production	18 142 GWh

	GWh	
Hydraulic & Wind	519	3%
Steam Turbine	3 660	20%
Combine Cycle	11 733	65%
Gas Turbine	2 231	12%
<b>Total</b>	<b>18 142</b>	<b>100%</b>

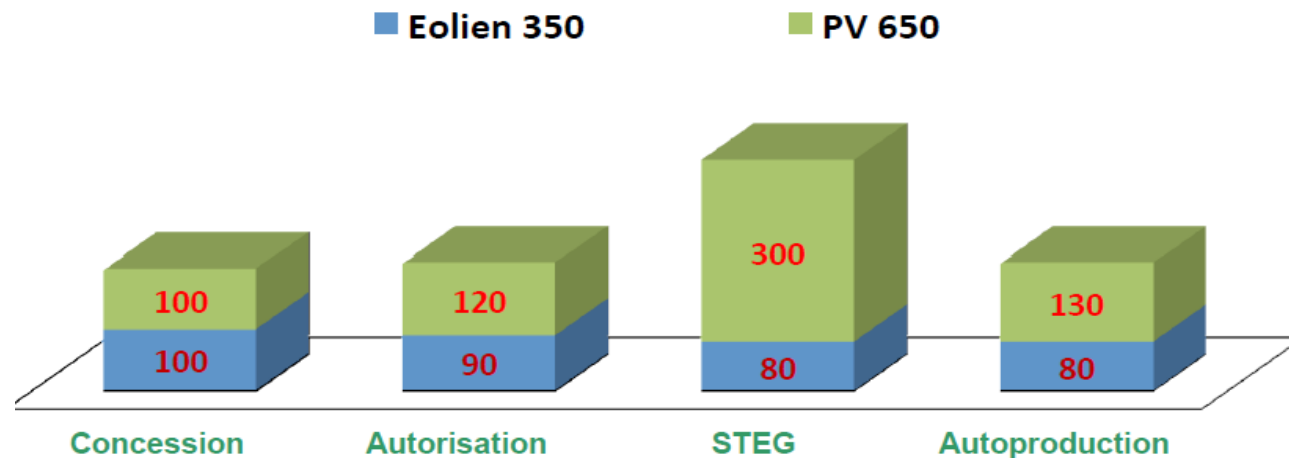


- ❖ Wish to reduce dependency on imported NG
- ❖ Tunisia intends to develop RE, in particular wind and PV in order to reach the goal of an integration rate of RE : **12% by 2020** and **30% by 2030** (of total TWh produced).

# Regulatory Framework for Renewable Energy

- **A - Law 2015-12 of May 11, 2015** defines the legal framework for the realization of projects of electricity production from renewable energies.
- **B - Decree 2016-1123 of 24 August 2016** laying down the terms and conditions for the realization of projects and sales of electricity production from renewable energy sources.
- **C - Implementing texts, of 9 February 2017 of the Minister of Energy, Mines and Renewable Energies:**  
Website: <http://www.energymines.gov.tn>

## RE National Program 2017-2020: 1000 MW



## + RE National Program 2020-2025 : 1 250 MW

# Authorization Process RE

Based on *Authorization* rules (MoP)  
 Developer presents: full dossier with all documentation

*Site risk is significant in view of the possible delays for the change of destination of the land. (agricultural/industrial) & archaeological risk*

**Proposal Evaluation**



Reviewed by Technical Committee based on Authorization rules (MoP).

**Preliminary Authorization**



Based on criteria:  
 - All documents are necessary  
 - Technical & Financial capacity  
 - Local content  
 - Operational capacity  
 - Proposed Tariff

*Authorisation is valid 24 mo for PV, 36 mo for wind:*  
 - Not necessarily sufficient for a full Environmental Impact Assessment -EIA- (or archaeological study)  
 - No provision for delays that are not due to the developer

**Finalization procedures**



- STEG Contract
- Final connection study
- Creation project company
- EIA.
- Financing scheme
- Administrative Authorizations.
- Equipment Contracts.
- Launch of project construction.

-Authorization can be voided if alternative connection point requested;  
 - Need to include provisions for delays in connection.

**Construction**



Cond.& Procedures Licence  
 - Commerce registry  
 - STEG inspection report  
 - EIA  
 - Administrative Licences

-« Assignment »: *conditions for change in Equity* can stop the bank from using the project as a guarantee  
 - No transfer of Equity allowed => *No exit strategy*

Commercial Operation

XXX Etapes principales  
 Phases  
 Remarques  
 Procédure Authorisation



# Primary Challenges to Tunisia RE Framework

Issue	Description	Possible Solution
Off-take Risk	STEG credit worthiness? Conditions for measuring non off-taken energy (énergie non-enlevée ENE) need to be clarified.	<ul style="list-style-type: none"> <li>Value of Non off-taken Energy needs to be fixed, process for evaluation to be detailed (PPA).</li> <li>Define deemed ENE (in case of connection delay/FM before connection)</li> </ul>
Tariff	<ul style="list-style-type: none"> <li>- Needs to adequately cover all the costs of the IPP (ex-post connection cost, Balancing cost);</li> <li>- Contract does not cover delays that are not due to the developer;</li> <li>- No guarantee of connection cost at time of proposal (preliminary study);</li> <li>- TND convertibility &amp; transfer needs to be guaranteed.</li> </ul>	<ul style="list-style-type: none"> <li><i>Tariff</i> proposal made before final connection cost is known</li> <li><i>Contract Duration</i>: the 20 years should only start running once the plant is in commercial operation and connected; delays due to FM or non-planned transmission interruption should allow for an extension of the PPA.</li> <li>Variation in connexion cost b/w preliminary and final proposal needs to be capped or added as a variable to the winning price;</li> <li>Central Bank agreement on convertibility and transfer of proceeds from projects.</li> </ul>
Changes in law/taxes	Provision for changes in law included in the PPA, but ambiguity in dealing with the issue and potential extra costs.	<ul style="list-style-type: none"> <li>A <i>threshold</i> of damages should be more clearly defined;</li> <li><i>Compensation</i> should be defined to ensure the developer stays whole.</li> </ul>
Force Majeure	Events defined, but process & provisions for dealing with the events not defined.	<ul style="list-style-type: none"> <li><i>Provisions &amp; process</i> should be clearly defined;</li> <li><i>Definition</i> may be extended;</li> <li>Need to extend the contract duration by the time of the FM event.</li> </ul>

# Primary Challenges to Tunisia RE Framework (cont.)

Issue	Description	Possible Solution
<b>Connection Risk</b>	<i>Connection rules</i> are not clear, changes in requested connection point may cancel the authorisation. Losses? Delays by STEG in commissioning the connection.	<ul style="list-style-type: none"> <li>• <i>Connection procedures</i> should be developed, clarified to cover delays and obligations;</li> <li>• Need to authorize alternative connection point if economically interesting.</li> </ul>
<b>Conflict resolution</b>	<ul style="list-style-type: none"> <li>• International Arbitration introduced for a high loss (4 mil. USD).</li> <li>• Arbitration to be held in Tunisia, under Tunisian law.</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility to use <i>another</i> jurisdiction to govern the arbitration;</li> <li>• <i>Conditions</i> for requesting arbitration are too strict;</li> <li>• <i>Procedures for appeal</i> and extension of delays should be clarified.</li> </ul>
<b>Contract cancelation and related payment</b>	Definition too vague, amount to be paid dependent on STEG will. Compensation in case STEG is at fault is not defined.	<ul style="list-style-type: none"> <li>• Define a clear formula and process for the evaluation.</li> </ul>
<b>Assignment</b>	Conditions for changes in Equity are too strict, do not allow transfer of ownership or bank guaranty.	<ul style="list-style-type: none"> <li>• Need to “soften”/clarify the rules for transfer of contracts/rights/capital;</li> <li>• Capital investors will be difficult to engage if there are no sales/transfer rules for the project (exit strategy).</li> </ul>

# Tunisian Developer Market Assessment results

- ❖ IFC has performed a “Market Survey” during the last 3 months: Interviews with a selection of developers (10) from a wide variety of players (multinationals, SMEs and local developers) to assess main comments and opinion on the legislative/regulatory environment.
- **One project at a time:** this risks greatly limiting market depth & not allowing developers a sufficient pipeline to grow;
- **Small projects:** rules for small projects (1 MW PV, 5 MW wind) are very close to those for the normal authorization scheme => *expensive*; In addition, *FiT may be more adapted for small projects*;
- **Prioritization:** diversity of articles & legal documents covering similar issues => *need to prioritize & review to verify consistency in obligations*;
- **Bankability:** most developers mentioned the need to renegotiate PPA & contracts once pre-authorization obtained to ensure mobilizing necessary funding;
- **Guarantees:** a majority expressed concern over the lack of state guarantee;
- **Low capacity:** the small capacity of the first Call for Proposals (140 MW wind, 70 MW pv) may not allow Tunisia to meet targets, the per project capacity was found to be low as well.



# Way forward

- ❖ Commitment by Donors/IFIs to assisting Tunisia in creating a successful framework:
  - Technical Assistance / Capacity Building agreement between German Government and GoT to be implemented by GIZ over the next 3 years;
  - Parts of the Program will be undertaken by IFC. (Manual of Connections, PQ studies, Operational measures for RES integration) - MOU signed between GIZ-IF;
- ❖ Inter-institution collaboration EBRD-GIZ-IFC to align comments provided to Ministry on all documents, with a possibility of additional Technical Assistance if requested;
  - Workshop of **20<sup>th</sup> of July** together with Ministry specifically on PPA issues for the Authorization with the hope of providing dedicated support to implement changes towards Bankability standards;
  - Market survey of main players to synthesize comments and views on potential barriers;

Thank you for your attention!



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