Regulatory Overview

Algeria

This regulatory overview provides an outline of the legal framework applicable to renewable energy projects.

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Renewable Energy Policy
Renewables are gaining importance in Algeria's energy mix. Algeria's Solar Plan aims at satisfying 40% of the local demand with RE by 2030. The targets for 2020 are: 1500MW CSP, 800MW PV and 300MW wind; and for 2030: 7200MW CSP, 2800MW PV and 2000MW wind. Despite the high CSP targets, the initial implementation phase will focus on PV and wind.

Algeria has also set a target for exports (2000MW for 2020 and 10000MW for 2030), subject to the construction of an interconnection to the EU.

The legal framework in Algeria applicable to the power sector is well developed. The main legal texts are:

» Loi 02-01, 5 February 2002, on the electricity and gas sector. This Law sets the basis for the liberalization of the electricity sector and establishes an Energy Regulator (CREG).

However Loi 02-01 has not been fully implemented and currently Sonelgaz Group is the main actor in the power sector

» Loi 04-09,14 August 2004, on the promotion of Renewable Energy

» Loi n° 99-09 dated 28 July 1999, on energy management

» Décret-Exécutif 13-218 on the conditions for a feed in tariff and Arrêté 2 February 2014 on the values of feed-in-tariffs.

Business models for renewable energy projects
Under the current regulatory framework there are essentially three different possibilities to structure RE projects in Algeria:

» RE projects under the new FIT scheme,

» IPP selling to large consumers; and

» self-production.

Algeria has recently approved a new FIT regime. RE projects are entitled to sell to the respective distributor the power produced at a guaranteed fixed price for 20 years. The Arrêté of 2 February 2014 has set the first tariffs for wind (>5MW 9.5€ct, <5MW 11.9€ct) and for PV (>5MW 11.6€ct; <5MW 14.5€ct). The tariff will be revised 5 years after starting operations in order to adjust it to the real energy potential of the site, up to a maximum of 15%. CSP is so far not included in the FIT scheme. CSP projects might be subject to a tender process for the granting of a PPA.

According to Law 01-02, power producers can sell the power produced to large consumers. However, to date no RE project has been implemented under this business model. Additionally, projects can export the power produced. Nevertheless Algeria is not yet interconnected to Europe.

Self-production is foreseen but is not particularly encouraged through an incentive scheme.

Transmission regulation
The Société Algérienne de Gestion du Réseau de Transport de l'Electricité a subsidiary of the Sonelgaz Group is the TSO. The system operation is entrusted to Sonelgaz Opérateur Système Electrique (OS).

Law 02-01 grants IPPs the right to access the grid, which is regulated by Décret Executive 07-293. According to the Executive Decree 06-429 the TSO is responsible for building the connection infrastructure up to 50 km. For the domestic market, transmission fees are paid by consumers and are determined by the CREG.

Investment Regulation
The Algerian investment framework is rather restrictive and demanding at a bureaucratic level. The National Investment Council (“CNI”) plays a key role in monitoring and authorizing investments.

According to applicable regulation 51% local ownership is mandatory and financing must be structured through local banks.
### RECOMMENDATION FOR REFORMS

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<th>General IPP regulation</th>
<th>IPPs are difficult to implement.</th>
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<td>Land access</td>
<td>Land ownership for foreign investors requires prior approval. Most projects take place in state owned land under a concession regime. RE priority development zones are not in place.</td>
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<td>Grid access</td>
<td>Grid access is well developed by Algerian regulation. The TSO bears the costs of the first 50 Km of connection infrastructure.</td>
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<td>Energy related permitting</td>
<td>Energy related permitting is well developed. The CREG is the entity in charge of issuing the permits. The investment framework is restrictive. 51% local ownership share is mandatory and financing is to be organized through local banks</td>
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<tr>
<td>Investment</td>
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### BUSINESS MODELS FOR RENEWABLE ENERGY

- **Support mechanisms**
  - Power producers are entitled to sell to the respective distributor the power produced at a guaranteed fixed price for the lifetime of the contract.
  - The first tariffs have been recently published:
    - Wind >5MW 9.5€ct, <5MW 11.9€ct;
    - PV >5MW 11.6€ct, <5MW 14.5€ct.

- **IPP selling to large consumers**
  - Under Law 02-01 it is possible for IPPs to sell the power produced to specific consumers. However to date no project has been implemented under this business model.

- **Self-production**
  - Self-production is possible under law 01-20. However, there is no particular regime to encourage self-production from renewable energy sources.
### REGULATORY IMPROVEMENTS

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<th>Category</th>
<th>Description</th>
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<td>Land access – priority development zones</td>
<td>• Establishing priority zones for the development of renewables can be a step forward in facilitating land access. For these areas foreign investment should be facilitated, for instance by identifying the owner of the land.</td>
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<td>• It should be considered whether such priority development zones could be considered as Free Zones for the purpose of foreign investments in order to facilitate the investment process.</td>
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<td>Encourage self-production from renewables</td>
<td>• Algeria should further encourage self-production from renewable energy sources.</td>
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<td>• Establishing a regime for self-producers to be able to sell the excess production at attractive tariffs could be an important incentive for the development of renewables.</td>
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<td>Implementation of Law 01-02</td>
<td>• Law 02-01 sets the basis for the liberalization of the electricity sector. However, 10 years after its adoption it has not yet been fully implemented. Making this law operational in practice and establishing a market operator would significantly increase the transparency of the market and would create a more favourable environment for investors.</td>
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<td>Develop regime for exports</td>
<td>• Should Algeria be interconnected to Europe in the future, the regime for exports would need to be developed in more detail, for instance regarding capacity allocation and congestion management at the interconnection as well as transmission costs.</td>
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<tr>
<td>Framework for Energy Investments</td>
<td>• Particular investment provisions tailored to energy activities would significantly improve the investment framework.</td>
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<td>• Algeria should also consider entering into multilateral frameworks such as the Energy Charter Treaty</td>
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<td>Guarantees of Origin</td>
<td>• Implementing a regime for tracing the renewable origin of electricity would be the first step towards a system of Guarantees of Origin.</td>
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<td>• Guarantees of Origin would allow end-consumers to engage in the promotion of renewables and could be used as a tool to foster cross-border trade.</td>
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### RENEWABLE ENERGY POLICY

| RES TARGETS | • Algeria’s Solar Plan aims at satisfying 40% of the local demand with RES by 2030. The targets for 2020 are: 1500MW of CSP, 800MW of PV and 300MW of wind. The targets for 2030 are: 7200MW of CSP, 2800MW of PV and 2000MW of wind. As far as exports are concerned, the target is 2000MW for 2020 and 10000MW for 2030. |
| MAIN LEGAL TEXTS | • Loi 02-01 dated 5 February 2002, on the electricity and gas sector, that entails the liberalization of the electricity sector • Loi 04-09 dated 14 August 2004, on the promotion of Renewable Energy • Loi n° 99-09 dated 28 July 1999, on energy management • Décret-Exécutif 13-218 on the conditions for a feed in tariff. • Arrêté 2 février 2014, fixing the tariffs for wind and solar |
| INSTITUTIONAL FRAMEWORK | • Commission de Régulation de l’Électricité et du Gaz (CREG): Energy Regulator • Ministry of Energy and Mines: in charge of designing Algeria’s energy policy • Sonelgaz Group: • Power producer : Société Algérienne de Production de l’Électricité (SPE): • TSO : Société Algérienne de Gestion du Réseau de Transport de l’Électricité (GRTE) • Power production/transmission system operation : Opérateur Système Électrique (OS) • Power distributors : Sociétés Algériennes de Distribution de l’électricité et du gaz d’Alger (SDA), du Centre (SDC) de l’Est (SDE) and de l’Ouest (SDO): • Centre de Recherche et Développement Électricité et Gaz (CREDEG) • Agence de Promotion et de Rationalisation de l’Utilisation de l’Énergie (APRUE) • Centre de Développement des Énergies Renouvelable (CDER) • Fonds National pour les Energies Renouvelables et la Cogénération (FNER) |
### BUSINESS MODELS

| **FIT** | • Power producers are entitled to sell to the respective distributor the power produced at a guaranteed fixed price for a period of 20 years. The FIT has a ceiling corresponding to the FLH calculated during the first year of operation. Excess production can be sold at the marginal price of conventional energy.  
  • The tariffs are:  
      • wind >5MW 9.5€ct; <5MW 11.9€ct;  
      • PV >5MW 11.6€ct; <5MW 14.5€ct.  
  • The tariff is revised 5 years after starting operations in order to adjust it to the real energy potential of the site. As a result of the adjustment the tariff can be increased or decreased up to a maximum of 15%.  
  • In order to benefit from this scheme, power producers need to apply to the CREG at the same time they apply for the authorization of the project.  
  • The support scheme will be financed by the National Fund for Renewable Energy and Cogeneration (FNER) which is funded with 1% of oil royalties.  
  • CSP is initially not included in the FIT scheme. CSP projects might be subject to a tender process for the granting of a PPA. |
| **RE IPPs SELLING TO LARGE CONSUMERS** | • Law 02-01 establishes a regime for IPPs and allows them to sell directly to large consumers. However to date, no RE project has been established under this scheme.  
  • IPPs are subject to the granting of an authorization by the CREG. The permitting process is detailed under Décret Exécutif 06-429 dated November 26, 2006. |
| **EXPORTS** | • Currently there is no interconnection linking Algeria and Europe.  
  • Loi 02-01 expressly foresees the possibility for power producers to export the power produced upon approval of the CERG. Approval can be denied if local demand is not fulfilled. This authorization procedure is not fully developed. An exemption of this authorization is applicable to projects dedicated totally to export.  
  • The regime is not yet fully developed. Export agreements have to be negotiated with the TSO and the System Operator. |
| **SELF-PRODUCTION** | • Loi 01-02 allows for power consumers to install power generation facilities.  
  • There is no particular framework to encourage self-production from renewable energy sources, e.g. there is no regime to sell the excess production at attractive tariffs. |
## TRANSMISSION and ACCESS TO THE GRID

| ACCESS and CONNECTION TO THE GRID | • The right of third party access to the grid is established by Loi n°02-01 dated 05 February 2002.  
| | • RES projects benefit from the right to be connected to the grid. The conditions for access to the grid are regulated in detail.  
| | • The costs of connection up to 50Km will be covered by the TSO.  
| TRANSMISSION | • Transmission fees are established by the CREG and are fully covered by consumers, thus power producers are not subject to transmission fees.  
| | • The general conditions for transmission are regulated in the model agreement to be entered into with the TSO previously approved by the CREG.  
| BALANCING | • Balancing shall be performed by the system operator but is currently not regulated.  
| GRID UPGRADE | • Grid upgrades are covered by the TSO, GRTE.  
| INTERNATIONAL INTERCONNECTIONS | • No specific rules exist for the allocation of capacity and congestion management at international interconnections  
| | • Currently, the coordination of international interconnections is based on common exploitation principles adopted by the Maghreb countries. There is a commission for the coordination of the exploitation of international interconnections within the Maghreb (Commission Interconnexion Maghrébine).  
| MERCHANT LINES | • Merchant lines are currently not allowed under Algerian regulation.  


## FOREIGN INVESTMENT PROTECTION

### LAND ACCESS
- The Land Registry in Algeria has a limited coverage of non-urban regions where renewable energy projects would be located. This may entail significant difficulties in the identification of the owner of a specific land plot.
- As a general rule, renewable energy projects are located in areas that belong to the private domain of the state and access is organized through a concession agreement.
- Concessions over state-owned land may be granted through public tenders or directly, for a 20-year minimum period that can then be renewed for up to 99 years. The duration of the concession and its renewal shall be aligned with the duration of the operating permit. The concession fee to be paid by the project owner will be decided on a case-by-case basis.
- So far Algeria has not defined specific areas where renewable energy projects should be located. Therefore project developers are free to select the site they consider most appropriate.

### INVESTMENT LAW
- The applicable regulation requires that a minimum of 51% local ownership for all investments, also renewables.
- The financing of projects, with the exception of equity, must be entirely organized through local funding.
- Foreign investment projects must be submitted to the National Investment Council ("CNI") for its approval.
- The State enjoys a preemption right over all transactions of sales and purchase of foreign shareholders’ shares.

### BILATERAL INVESTMENT TREATIES
- Algeria has signed 51 BITs of which 24 in force. Most BITs provide for: expropriation standards, fair and equitable treatment, non-discrimination standard. Transfer of funds.
- Association Agreement with EU 2005.
- Algeria is a member of ICSID since 1995.
- Algeria is an observer of WTO.

### ENERGY CHARTER TREATY
- Algeria is an observer of the Energy Charter Treaty.
REVIEWED REGULATION & STUDIES

- Décret-Exécutif 13-218, 18 juin 2013, fixant les conditions d’octroi des primes au titre des couts de diversification de la production d’électricité
- Arrêté 2 février 2014, fixant les tarifs d’achat garantis pour les filières éolienne et photovoltaïque
- Décret exécutif n° 10-138 du 28 Jomada El Oula 1431 correspondant au 13 mai 2010 fixant les règles techniques de conception, d'exploitation et d'entretien des réseaux de distribution de l'électricité et du gaz.
- Décret exécutif n° 09-224 du 6 Rajab 1430 correspondant au 29 juin 2009 portant déclaration d’utilité publique l’opération relative à la réalisation de lignes hautes et très hautes tensions, paru au journal officiel N°39 du 1er juillet 2009 à la page 7.
- Décret exécutif n° 08-114 du 3 Rabie Ethani 1429 correspondant au 9 avril 2008 fixant les modalités d’attribution et de retrait des concessions de distribution de l'électricité et du gaz et le cahier des charges relatif aux droits et obligations du concessionnaire. (JO n° 20 du 9 avril 2008).


— Décret exécutif n° 06-430 du 5 Dhou El Kaada 1427 correspondant au 26 novembre 2006 fixant les règles techniques de conception, d’exploitation et d’entretien du réseau de transport de l’électricité (JO n° 76 du 29 Novembre 2006).

— Décret exécutif n° 06-429 du 5 Dhou El Kaada 1427 correspondant au 26 novembre 2006 fixant le cahier des charges relatif aux droits et obligations du producteur d’électricité (JO n° 76 du 29 Novembre 2006) .

— Décret exécutif n° 06-428 du 5 Dhou El Kaada 1427 correspondant au 26 novembre 2006 fixant la procédure d’octroi des autorisations d’exploiter des installations de production de l’électricité (JO n° 76 du 29 Novembre 2006). NON


— Loi 04-09 du 27 Jourmada Ethania 1425 correspondant au 14 aout 2004 relative à la promotion des énergies renouvelables dans le cadre du développement durable (JO n°52 du 18 aout)

— Loi n° 99-09 du 15 Rabie El Aouel 1420 correspondant au 28 juillet 1999 relative a la maîtrise de l’énergie (JO n° 51 du 2 aout 1999)
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