



Regulatory Overview

Egypt

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

May 2014

Miriam Bardolet
bardolet@dii-eumena.com



Renewable Energy Policy

In 2007 Egypt adopted a renewable energy target of 20% RES in total electricity consumption by 2020, including 7.2GW wind (2375MW state-owned projects developed by NREA, 4825MW private projects); 100MW CSP; and 20MW PV.

Additionally, the Egyptian government considered to install additional 3500MW solar capacity by 2027 divided into 2800MW CSP and 700MW PV. However this target is not fixed in official documents.

The legal framework in Egypt applicable to the power sector is not developed in detail. Legal uncertainty in Egypt is rather high. The main text governing the power sector is still a draft regulation that has not yet been approved by Parliament. The main legal texts are:

- Draft Electricity Law (2008)
- Law 102/1986 establishing NREA as the major body for promotion and development of RE
- Presidential Decree No. 326/1997 establishing the Electric Utility and Consumer Protection Regulatory Agency
- Presidential Decree No. 339/2000, reorganizing the Electric Utility and Consumer Protection Regulatory Agency.

Business models for renewable energy projects

The Electricity market in Egypt is formally liberalized and unbundled, through different subsidiaries of the state-owned Egyptian Electricity Holding Company.

IPP participation is possible under the current legal framework. However the competitiveness of IPPs is strongly limited due to highly subsidized fossil fuel prices. The TSO, EETC acts as single buyer and sells power to distribution companies and direct HV consumers.

Egypt intends to implement a framework to incentivize renewables based on a two-phase approach:

- Phase I: Competitive bids issued by EETC
- Phase II: Feed-in-tariff system for small-scale projects based on the prices and experience achieved in phase I.

Additionally NREA can also develop projects which remuneration is based on fixed PPAs.

Transmission regulation

Egyptian regulation guarantees third party access to the grid with no preferential treatment for RES.

Project developers have to bear the cost of connection to the grid. Grid reinforcements are covered by the TSO, EETC. Transmission and distribution charges are proposed by EETC and reviewed and approved by the regulatory agency (EEUCPRA).

Investment Regulation

Egypt's interest in attracting foreign investments can be evidenced by its large number of bilateral and multilateral investment agreements. No specific limitations apply to the sector of power generation from renewable energy sources. Therefore overall Egypt has an open investment regime

The acquisition of land in desert areas (2km away from urban land) requires a local ownership of at least 50%.

REGULATORY ASSESSMENT

RENEWABLE ENERGY REGULATION		BUSINESS MODELS FOR RENEWABLE ENERGY		
General IPP regulation	○	A Draft Electricity Law was published in 2008 but has not yet been adopted by Parliament	○	No FIT is currently in place
Land access	○	NREA has a program for land allocation for wind projects. Acquisition of Desert Land (2Km away from urban areas) requires 50% local ownership	○	Egypt has planned to tender large scale projects under a BOO scheme. Projects would benefit from a PPA with EECT
Grid access	○	Grid access is part of the Draft Electricity Law. Transmission and distribution charges are proposed by EETC and reviewed and approved by the regulatory agency	○	Egyptian law does not foreclose this option. RE IPPs can use EETC's grid..
Energy related permitting	○	According to the Draft Electricity Law generation permits are issued by the Regulatory Agency (EEUCPRA) for a period of 25 years	○	Self-production is not regulated in detail. There is no program to incentivize self-production from RES
Investment	○	Egypt has a framework that is friendly to foreign investments		

REGULATORY IMPROVEMENTS

General IPP regulation	<ul style="list-style-type: none"> • In order to provide higher legal certainty it would be important to formally adopt the Draft Electricity Law
Transmission regulation	<ul style="list-style-type: none"> • Transmission regulation, especially regarding access to the grid and the allocation of costs should be developed in detail.
Encourage self-production	<ul style="list-style-type: none"> • A self-production regime targeted to renewables, including the possibility of selling excess production at attractive tariffs could offer additional investment opportunities
Framework for Energy Investments	<ul style="list-style-type: none"> • Investment provisions particularly tailored to energy activities would significantly improve the investment environment. The new Free Trade Agreements provide a good opportunity for this purpose. • Egypt should consider becoming a member of the Energy Charter Treaty
Guarantees of Origin	<ul style="list-style-type: none"> • Implementing a regime for tracing the renewable origin of electricity would be the first step towards a system of Guarantees of Origin. • Guarantees of Origin would allow end-consumers to engage in the promotion of renewables and could be used as tool to foster cross-border trade.

RENEWABLE ENERGY POLICY

RES TARGETS	<ul style="list-style-type: none"> • 20% RES in total electricity consumption by 2020 (target as of 2007) 7.2GW wind (2375 MW state owned projects developed by NREA, 4825 MW private projects); 100 MW CSP; 20 MW PV. • New target, not yet fixed in official documents: 3500MW additional solar capacity by 2027 (2800 MW CSP; 700MW PV)
MAIN LEGAL TEXTS	<ul style="list-style-type: none"> • Law 102/1986 establishing NREA as the major body for promotion and development of RE • Presidential Decree No. 326/1997 establishing the Electric Utility and Consumer Protection Regulatory Agency • Presidential Decree No. 339/2000, reorganizing the Electric Utility and Consumer Protection Regulatory Agency” • “Draft Electricity Law” (2008)
INSTITUTIONAL FRAMEWORK	<ul style="list-style-type: none"> • Ministry of Energy and Electricity (MOEE) • Supreme Council of Energy (SCE): Prime Minister (chair), Ministries of Petroleum, Electricity, Defense, Foreign Affairs, Investment, Industry, Water Resources & Irrigation, Transportation, Housing • National Renewable Energy Agency (NREA) • Egyptian Electricity Holding Company (EEHC): <ul style="list-style-type: none"> • Egyptian Electricity Transmission Company, TSO (EETC) • Egyptian Electricity Distribution Companies (EEDCs) • Egyptian Electric Utility and Consumer Protection Regulatory Agency (EEUCPRA), affiliated with the MOEE • Industrial Development Agency (IDA) • General Authority for Investment and Free Zones (GAFI)

BUSINESS MODELS

IPPS selling to single buyer	<ul style="list-style-type: none"> • All permits and licenses for generation, transmission and distribution are issued by the Regulatory Agency (EEUCPRA). Permits are granted for a period of 25 years (Draft Energy Law). An Environmental Impact Assessment issued by the Egyptian Environmental Affairs Agency (EEAA) is necessary (Decree No. 338/1995, Law No. 4/1995 and Law No. 9/2009) • Egypt intends to apply a two-phase approach to incentivize RE Projects (which is currently in phase one): <ul style="list-style-type: none"> ○ Phase I: Competitive bids for all large-scale RE projects (wind parks >50MW, CSP projects), tenders issued internationally by EETC. ○ Phase II: Feed-in-tariff system applicable for small-scale projects, taking into consideration the prices and experience achieved in phase I. • A “renewable energy fund” has been established for financing the support mechanism but it is not yet operational. The fund will be sourced from a contribution for each saved fossil fuel unit substituted by RE generation as well as by the land-use fees for RE projects.
IPPS selling to large consumers	<ul style="list-style-type: none"> • Under the current framework it is possible to establish IPPs. RE IPPs can use EETC’s grid to sell the power produced to large consumers. • However this option is not regulated in detail and no model PPAs are in place.
NREA’s programme	<ul style="list-style-type: none"> • For wind projects, NREA has identified sites which are allocated through a competitive process. • Projects under this scheme are granted a PPA with EETC.
SELF-PRODUCTION	<ul style="list-style-type: none"> • The current framework allows the development of RE projects for self-consumption but there is no program to incentivize it, e.g. there are no special tariffs for excess production • The surplus can be sold to other customers under bilateral supply agreements and making use of EETC grid. Wheeling charges are determined based on average annual cost.

TRANSMISSION and ACCESS TO THE GRID

ACCESS and CONNECTION TO THE GRID	<ul style="list-style-type: none"> • Guaranteed access to the grid is foreseen in the Draft Electricity Law with no preferential treatment for RES • A “shallow charging” approach is applied, i.e., the project developer bears the cost of connection to the grid • Grid reinforcements are covered by EETC
TRANSMISSION	<ul style="list-style-type: none"> • The transmission grid is owned and operated only by EETC • Transmission and distribution charges are proposed by EETC and reviewed and approved by the regulatory agency (EEUCPRA)
BALANCING	<ul style="list-style-type: none"> • EETC is responsible for balancing and to ensure a safe and stable operation of the network
GRID UPGRADE	<ul style="list-style-type: none"> • EETC is responsible for the assessment of grid upgrades and execution of respective works
INTERNATIONAL INTERCONNECTIONS	<ul style="list-style-type: none"> • Egypt is interconnected to Libya and Jordan. • Access to interconnections by private operators is not clearly regulated.
MERCHANT LINES	<ul style="list-style-type: none"> • Not allowed under current legislation

FOREIGN INVESTMENT PROTECTION

LAND ACCESS	<ul style="list-style-type: none"> • A land allocation plan for RE projects (wind) is developed by NREA. Land access is structured through a usufruct for the duration of the respective PPA (20 years). Up to 2% of the project value has to be deposited and is refunded upon decommissioning. • For projects under competitive bidding scheme (BOO projects), 1% of the value of the power produced has to be paid as annual fee. This money flows into the renewable energy fund and is not refunded. • Land ownership by foreigner investors is subject to specific regulation: <ul style="list-style-type: none"> ○ No foreigners may acquire agricultural land (Law No. 15/1963) ○ 51% local ownership for desert land, i.e. land >2 Km out of the city borders (Law No. 143/1981) ○ Lease of land for more than 50 years is subject to ownership rules
NATIONAL LAW	<ul style="list-style-type: none"> • The main legal texts in Egypt governing investments are: Companies Law No. 159/1981, Investment Guarantees and Incentives Law No 8/1997, Decision Prime Minister No 2108/1997 Executive Regulations of the Investment Law; and Law No 83/2002 on Economic Zones • No specific limitations apply to the sector of power generation from renewable energy sources. • Investment incentives are in place such as custom duty exemptions for import of RE components, subcomponents and spare parts. • Overall Egypt has an open investment regime. However red-tape hurdles can make the investment process rather long and burdensome.
BILATERAL INVESTMENT TREATIES	<ul style="list-style-type: none"> • Egypt has signed 55 BITS of which 33 are in force. Most BITs provide for: expropriation standards, fair and equitable treatment, non-discrimination standard. Transfer of funds • Association Agreement with EU 1998. Egypt will soon start negotiating a new Free Trade Agreement with the EU. • Egypt is a member of ICSID since 1972 • Egypt is a member of WTO since 1995 • Egypt is an observer of the Energy Charter Treaty

REVIEWED REGULATION & STUDIES

- Webpage of General Authority for Investments, and legal texts on Investment framework & regulation provided therein: http://www.gafinet.org/LawsLibrary/Forms/En_AllItems.aspx?lawtype=Business%20Laws#first
- Webpage of National Renewable Energy Agency, NREA: <http://www.nrea.gov.eg/>
- “Draft land allocation rules” for renewable energy projects
- “Draft Electricity Law”
- Law No 8 of 1997 Concerning Investment Guarantees and Incentives & its Executive regulations
- Law No 67 of 2010 regulating Partnership with the Private Sector in Infrastructure Projects , Services and Public Utilities
- Public Tenders Law No 89 of 1998
- Law 143/1981 on Desert Land
- Law No 230/1996 and decision of Prime Minister No 30/2007 on Real Estate

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