



Newly Updated Renewable Energy Program in Algeria

On February 24, 2015, Algeria's Minister of Energy announced the adoption of Algeria's updated development program for renewable energies. The program increases the targeted installed capacity from renewable sources by 2030 from 12 gigawatts ("GW") to 22 GW, with a view to diversifying Algeria's power production by increasing generation from sustainable sources and preserving fossil fuel resources.

This new target emphasizes Algeria's significant solar potential and takes advantage of the recent drop in production costs for solar photovoltaic and wind power infrastructures, while primarily satisfying domestic energy demand essentially through three sources of renewable energy: solar photovoltaic power (13.5 GW), solar concentration power (2 GW), and wind power (5 GW). These new targets represent a nearly 400 percent increase in the targeted installed capacity for solar photovoltaic power and wind power, compared to the development program's initial objectives in 2011.

In addition to installed capacity for domestic consumption, Algeria's development program also targets up to 10 GW of installed capacity from renewable sources for export purposes, for which the Algerian government is seeking reliable partners willing to

provide financing for the projects as well as the required interconnections with the Algerian grid.

Renewable power projects will be subject to a specific regime based on a 20-year power purchase agreement ("PPA") with one of the four distribution grid operators, all subsidiaries of the state-owned Sonelgaz Group, and preferential regulatory feed-in tariffs applicable to the produced electricity. Projects with installed capacity of more than 1 megawatt ("MW") will be eligible on an "open-door" basis. Producers will apply with the Algerian energy regulator, the *Commission de Régulation de l'Electricité et du Gaz* ("CREG"), for authorization to benefit from the feed-in tariff. To qualify, producers must satisfy a number of criteria, including holding an operation authorization and a certificate of guaranteed origin for key materials, such as solar PV panels, both of which will be granted or delivered by the CREG. Finally, authorizations such as building permits as well as environmental impact assessments will be required.

The preferential feed-in tariffs will be guaranteed for the 20-year term of the PPA. Base tariffs will range from 12.75 Algerian dinars per kilowatt hour ("DZD/kWh") to 15.94 DZD/kWh (0.12 euros per kilowatt hour ("€/kWh"))

to 0.15 €/kWh based on prevailing exchange rates) for solar photovoltaic projects. For wind power projects, the base tariff will range from 10.48 DZD/kWh to 13.10 DZD/kWh (0.10 €/kWh to 0.12 €/kWh based on prevailing exchange rates) depending on whether the installed capacity of the production facility is over 5 MW or comprises between 1 MW and 5 MW.

Following an initial five-year phase during which the base tariffs will apply according to the potential operating hours of the power plant, the applicable feed-in tariff will be revised for each project to adjust it, based on its effective operating hours during the initial five-year phase. The feed-in tariff applicable to facilities with a low production time will be increased up to 15 percent, while the feed-in tariff applicable to facilities with a high production time will be reduced up to 15 percent, in accordance with regulatory reevaluation rates.

The subsidized feed-in tariffs will be financed through a National Fund for Renewable Energies and Cogeneration (*Fonds National pour les Energies Renouvelables et la Cogénération*), established by a 1 percent tax levy on the state's oil revenues, and through other resources or contributions, including a premium paid by end-users.

The liberalization of the Algerian power sector started in 2002, with the passing of Law No. 02-01 of February 5, 2002, which established principles governing the unbundling of the electricity production, transmission, distribution, and supply sectors, and the promotion of power generation from renewable energy sources. Even so, Law No. 02-01 has not yet been fully implemented, and despite the liberalization of the Algerian power production sector, the Algerian state-owned electricity company remains the main, if not the exclusive, actor in the Algerian power sector. Similar dynamics exist in the renewable power sector where the Sonelgaz Group is acting through its subsidiary, *Shariket Kahraba wa Taket Moutadjadida* (Company of Electricity and Renewable Energy).

A number of elements about the terms and procedures applicable to renewable energy projects remain to be further detailed later this year, including the forms and templates for the PPA, grid connection, and grid injection agreements, which are required to implement the preferential feed-in tariff scheme.

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