

Call for Tenders: Algeria's Renewable Energy Program Seeks 4,050 MW

IN SHORT

The Situation: With an eye on long-term renewable energy objectives, Algeria's Ministry of Energy is launching an international call for tenders for the development of 4,050 MW.

The Action: The Ministry's Decree establishes two types of Invitations to Tender ("IT"s)—ITs to Investors and ITs by Auction.

Looking Ahead: Power purchase agreements between the producer and the system operator or any other relevant operator will have a maximum duration of 25 years.

The Algerian Program for the Development of New Renewable Energies ("Program") aims to produce 22,000 MW for the needs of the national market over a period extending from 2015 to 2035-2040. More than 4,000 MW are intended to be achieved by 2020. In this context, the Ministry of Energy intends to launch an international call for tenders for the development of 4,050 MW.



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The implementation of this solar program has recently been clarified through Executive Decree No. 17-98 of 26 February 2017 ("Decree"), which defines the tendering procedure for the production of renewable or cogenerated energies and their integration in the national system of electricity supply.

The Decree sets out two types of Invitations to Tender ("ITs"):

- ITs to Investors, launched by the initiative of the Minister of Energy for previously determined quantities of renewable energies, and applied to larger projects; and
- ITs by Auction, launched by the initiative of the Commission de Régulation de l'Electricité et du Gaz, the Electricity and Gas Regulatory Commission ("CREG"), for cogeneration offers not exceeding 12 GW or supplying renewable energy corresponding to a minimum power of 10 GW.

ITs to Investors cover two components:

- The design, supply of equipment, construction, operation of electricity generating facilities from renewable energy sources, and the marketing of electricity produced ("Energy Component"); and
- The implementation of an investment project in the production of equipment used in the production of electricity from renewable energy sources and/or in the provision of services ("Industrial Component" or "Industrial Project").

The Energy Component will be divided into three batches of 1,350 MW, each to be developed and financed through a SPV held by private investors (49 percent) and state owned companies and/or private Algerian companies (51 percent). Public entities play a central role in the IT to Investors process. In this regard, it is the responsibility of the Minister of Energy to identify the public entities that are to participate in the implementation and development of electricity generating facilities.

In regards to the Industrial Component, the bidder must submit an offer for the development of an Industrial Project that includes the establishment of one or several Algerian companies. The Algerian company (or companies) will be in charge of the construction, exploitation, and maintenance of manufacturing facilities (photovoltaic cell, modules, and inverter), including the commercialization and sale of these industrial products. If bidders do not wish to personally invest in the Industrial Project, the Decree allows for their bid to be accompanied by a bid from a third party industrial investor selected by

the bidder. However, the Decree provides for the possibility of granting an exemption, by joint decision of the Ministry of Energy and the Ministry of Industry, of the obligation to implement the Industrial Project requirement. The Ministers of Energy and Industry will be responsible for the selection of any public entities participating in the Industrial Project.

ITs to Investors will be launched in one step only. The bidders must submit technical and financial offers for the Energy Component and the Industrial Component, if relevant.

ITs by Auction, unlike ITs to Investors, are not required to contain the Industrial Component. The bidder would choose and acquire the site, including by way of concession. Due in part to the legal constraints on the acquisition of land by foreign enterprises, rights on the land are generally acquired through concession contracts. It is also possible to envisage, as was the case with other projects in Algeria, that the land be acquired by the public partner of the project and subsequently leased to the project company. This structure was successfully used in other large projects in the country.

The Decree further describes the general guidelines for the submission of tenders, such as the technical and financial offers. It notes that the specifications for each IT shall set out the conditions with which investors must comply. This includes the technical specifications for the installations such as the primary energy used, the power, availability, and performance requirements for energy efficiency. In addition, the IT would specify the financial and economic conditions for the commercialization of electricity production, which may not exceed 25 years for each production facility.

A power purchase agreement will be concluded between the producers and the system operator or any other relevant operator for a maximum period of 25 years. In this respect, there is no model contract for the purchase of electricity. It is likely that local authorities will use precedent PPA, notably those used within the context of the last IPPs closed in the early 2000s.

THREE KEY TAKEAWAYS

1. The implementation and use of renewable energy sources is a long-term priority of the Algerian government.
2. An international call for tenders is being put out to investors and for suppliers for the production of renewable or cogenerated energies and their integration in the country's electricity distribution system.
3. A Decree by the Algerian Ministry of Energy explains the tendering procedure.

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