

Shedding light on renewable energy in Jordan

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Attacks on the Arab Gas Pipeline in the Sinai led to disruptions in the supply of natural gas from Egypt to Jordan, which contributed to losses by the electricity sector of over JOD 1 billion last year; such losses are expected to reach JOD 1.5 billion this year if the situation continues. The Government of Jordan is therefore planning to raise electricity tariffs during May 2012.

Amid this energy crisis, focus on renewable energy projects became paramount. As such, the Ministry of Energy and Mineral Resources (the "Ministry of Energy") announced on 25 April 2012 that it has qualified 34 international and local companies for the investment in renewable energy projects, with an overall capacity reaching 1000 MWs. Of the qualified companies, 22 companies will invest in solar power projects and the other 12 companies are specialised in wind energy.

The qualification was a result of the evaluation of offers of 64 companies that have submitted their expressions of interest for installing renewable energy plants on a build own operate (BOO) basis. The Government of Jordan will enter into a memoranda of understanding with the qualified companies; to allow such companies to commence the requisite technical studies, feasibility studies and due diligence in preparation of submitting their comprehensive direct proposals to the Ministry of Energy.

Of its natural resources, Jordan has considerable potential from its renewable energy sources. Particularly, from solar power and wind energy; as Jordan enjoys 300 days of sunshine a year according to the National Energy Research Centre .

Energy Strategy

The Updated Master Energy Strategy of the Energy Sector in Jordan for the period (2007-2020) (the "Energy Strategy"), aims at enhancing the exploitation of domestic energy resources depending mainly on oil shale and renewable energy.

The Energy Strategy sets out a target to satisfy 7% of the country's energy demand from renewable energy by 2015 and 10% by 2020; where the volume of required investment is estimated at about USD 1415-2115 million.

The Energy Strategy provides certain recommendations in the field of renewable energy, these recommendations include the following:

- The issuance of a renewable energy law aimed at stimulating the private sector to increase its investments in this field;
- Proceed with the implementation of wind energy projects for electricity generation based on BOO with a capacity of 600 MWs by 2020;
- Enhance research and study on renewable energy sources; and
- The establishment of a renewable energy and energy efficiency fund.

According to the Energy Strategy, the major proposed projects include:

- Al Kamsha wind farm of 30-40 MWs;
- Al Fujaij wind project of 70-90 MWs;
- Al Hareer wind project of 30-40 MWs;

- Wadi Arabah wind project of 30-50 MWs; and
- Solar energy power plants with a capacity of 300-600 MWs.

Legal framework

As recommended in the Energy Strategy, a piece of legislation dedicated to govern the area of renewable energy was issued in 2010; which is the Renewable Energy and Energy Efficiency Law No. 3 of 2010 (the Law).

The Role of the Ministry of Energy

Pursuant to the Law, the Ministry of Energy is entrusted with the following broad responsibilities in cooperation with other competent bodies:

- Exploiting renewable energy sources in order to increase their contribution to the total energy mix, achieving safe supply from such sources and promoting investments in this field;
- Contributing to environmental protection and achieving sustainable development by enhancing the exploitation of renewable energy; and
- Saving energy and improving its efficiency in various sectors.

Direct Proposals and Fixed Tariffs

The Law allows for direct negotiation between private companies intending to invest in renewable energy projects and the Ministry of Energy; which can circumvent the government bidding process. An investor may submit a direct proposal to the Ministry of Energy in order to develop any site for the purposes of exploiting renewable energy sources.

Article 6 (b) of the Law states that direct proposals for generating electricity power and connecting to the grid shall satisfy the certain conditions, including:

- The proposal shall contain the development plan including the preliminary design, initial financing plan, the contribution of local inputs to the facility, supplies, construction and operation;
- The investor shall have the requisite expertise in the implementation of renewable energy facilities similar to the proposed one; and
- The proposal shall include a fixed tariff for the electricity to be generated and sold by the renewable energy facility. Such fixed tariff shall be expressed as an amount per kilowatt hour and shall be within the acceptable range in accordance with the Reference Pricelist .

Furthermore, the power purchase agreements relating to the sale of electrical power generated by renewable energy plants shall comply with the provisions of the Law.

The Renewable Energy and Energy Efficiency Fund

The Law provides for the establishment of the Renewable Energy and Energy Efficiency Fund (the Fund), which aims to provide necessary funding for the exploitation of renewable energy sources and sustain energy saving plans.

The Fund shall have a separate juridical personality and be financially and administratively independent. Activities of the Fund include acquiring movable and immovable assets, entering into agreements and loan and accepting donations and grants.

The Fund is financed by treasury allocations, its revenues and investment proceeds and domestic and external donations.

Conclusion

The rising demand for exploring Jordan's natural resources highlights the necessity to speed up the implementation of the Government's plans in respect of renewable energy and oil shale. The recent qualification by the Ministry of Energy of a number of companies who have submitted their expressions of interest mid 2011 indicates that a step towards the implementation of the renewable energy projects was taken. Investors in the clean energy sector would enjoy the direct negotiation with the Ministry of Energy catered for under the Law but might need more clarity as to the range of acceptable tariffs.

Footnotes:

1- The National Energy Research Centre is one of the programs of the National Centre for Research and Development established by virtue of Regulation No. 72 of 2010.

2- The 'Reference Pricelist' is prepared by the Electricity Regulatory Commission along with the relevant bodies for specifying the mechanism of pricing the purchase of electrical power from renewable energy sources.