

# SCALING UP RENEWABLE ENERGY INVESTMENT IN ALGERIA

Holding some of the highest solar energy potential in the world and an abundance of wind, Algeria has set ambitious goals for renewable energy, including increasing the share of renewables in electricity generation to 27% by 2030, up from 0.8% in 2017.

As one of the leading exporters of natural gas and a major crude oil producer, Algeria is a key player in the global energy market. In the coming years, the government of Algeria is planning to minimise its domestic use of oil and gas resources (for thermal power plants in particular) and instead increase exports to international markets. Prices in the country for petroleum products and natural gas are however still among the lowest in the region, with some attempts in recent years to increase prices to reduce energy consumption.

In addition to freeing up resources for export, the government recognises that the scaling up of renewables has the potential to address climate and environmental concerns as well as to deliver socio-economic benefits through the development of a domestic industry.

The IRENA Coalition for Action Business and Investors Group, which brings together leading renewable energy businesses and investors, sees great potential for investments in Algeria. The group represents significant renewable energy assets worldwide and is in the coming years planning to contribute substantial additional investment needed for a green economic recovery post covid-19 and to reach global climate objectives. From an industry point of view and based on its engagement in the Algerian market, the Business and Investors Group has put together the following key recommendations that the government may consider to reach higher shares of renewable energy:

- **Enhance clarity on the implementation strategy of renewable energy policies**

The National Renewable Energy Programme outlines the government's ambitions for the energy sector by 2030. To make the Algerian market accessible and help to achieve targets for renewables, the Business and Investors Group would welcome further policy clarity and a transparent implementation strategy. The government may, for example, wish to consider establishing a long-term energy roadmap detailing annual capacity additions through tenders. The Business and Investors Group is particularly interested in learning more about Algeria's announced 4 gigawatt (GW) tender for renewables (under Sonelgaz), which has been delayed several times, as well as the 1 GW tender (under Sonatrach).

- **Consider examining ownership rules for renewable energy projects**

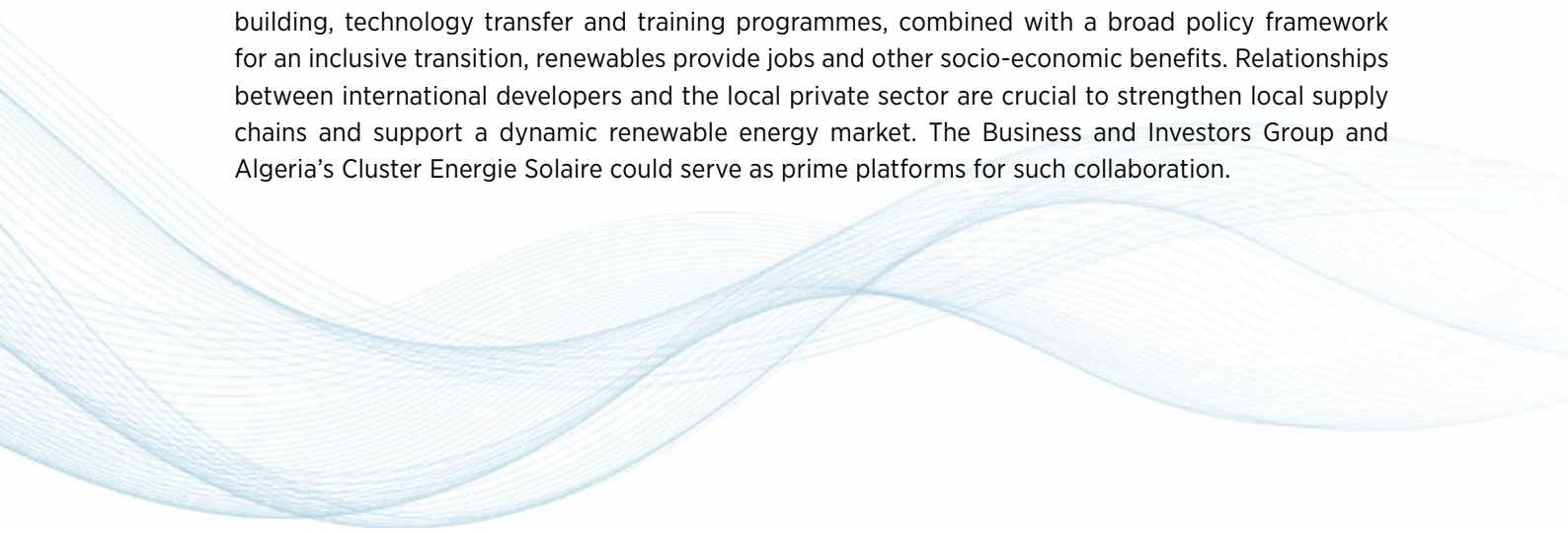
While recognising the need for local infrastructure ownership, the Business and Investors Group remains concerned about limits on ownership by foreign investors, currently set at 49%. In most cases, such rules increase investment risks and add to project financing costs. The Business and Investors Group would welcome a re-evaluation of this rule. A softer approach could attract more foreign direct investment, boost competition in the short term while the domestic industry builds its capacity, and lower the cost of renewables. Multi-criteria winner selection and other auction methods could also be considered to maximise socio-economic benefits and nurture local players.

- **Elaborate a grid development strategy**

Algeria's transmission and distribution grid is well developed in the north, with interconnections to Morocco and Tunisia. In the south, however, the grid is isolated and susceptible to technical challenges. The Business and Investors Group would welcome transparent plans for grid development to connect new renewable power sources. Capacity building and technical training opportunities offered by Coalition for Action members could enable key institutions to establish grid connections, enforce grid codes, and facilitate transparent dispatch priorities and other arrangements.

- **Strengthen collaboration between international renewable energy developers and local industry**

Supporting local job creation is important to the Business and Investors Group. With capacity building, technology transfer and training programmes, combined with a broad policy framework for an inclusive transition, renewables provide jobs and other socio-economic benefits. Relationships between international developers and the local private sector are crucial to strengthen local supply chains and support a dynamic renewable energy market. The Business and Investors Group and Algeria's Cluster Energie Solaire could serve as prime platforms for such collaboration.



## Coalition for Action Business and Investors Group Members

ABB	Graded	Rahimafrooz Renewable Energy
Abengoa Solar	Iberdrola SA	Renewable Energy and Energy Efficiency Partnership (REEEP)
Access Power	International Council for Local Environmental Initiatives (ICLEI)	RES4Africa Foundation
Acciona	International Geothermal Association	Revelle Group
Alliance for Rural Electrification	International Hydropower Association	Ryse Energy
AMEA Power	International Renewable Energy Agency (IRENA)	Siemens Gamesa Renewable Energy
Boston Consulting Group	International Network for Sustainable Energy (INFORSE)	Skypower
Clean Energy Business Council MENA	kiloWattsol	SolarPower Europe
Dii Desert Energy	Mainstream Renewable Power	SolarCoin Foundation
Dulas	MAKE/Wood Mackenzie	Syndicat des Énergies Renouvelables
Enel Green Power	Masdar	TERI School of Advanced Studies
Energy Watch Group	Middle East Solar Industry Association (MESIA)	The Climate Group/RE100
European Geothermal Energy Council (EGEC)	National Solar Energy Federation of India	Trina Solar
Falck Renewables	Novozymes	Vestas Wind Systems
Finergreen	Orsted	World Bioenergy Association (WBA)
First Solar	Qway Energy	World Wind Energy Association (WWEA)
FTI Consulting		Yellow Door Energy
Global Solar Council		
Global Wind Energy Council (GWEC)		

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### About the IRENA Coalition for Action

The IRENA Coalition for Action brings together leading renewable energy players from around the world. The Coalition facilitates global dialogues between public and private sectors to develop actions to increase the share of renewables in the global energy mix and accelerate the global energy transition. Within the Coalition, the Business and Investors Working Group is chaired by the Global Wind Energy Council (GWEC) and SolarPower Europe. The Group puts forward analysis and recommendations based on on-the-ground experiences of some of the leading private sector players in the renewable energy field. IRENA acts as the Secretariat of the Coalition. <https://coalition.irena.org>

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