BUSINESS AND INVESTORS GROUP

IRENA Coalition FOR ACTION

SCALING UP RENEWABLE ENERGY INVESTMENT IN **TUNISIA**

Tunisia has an abundance of solar and wind resources, providing sustainable and cost-competitive options to meet growing energy demand. The country has established a target of 30% renewable electricity production by 2030 in the Tunisian Solar Plan, first published in 2009 and revised in 2012.

To enable renewable energy development, the Tunisian government passed Law No. 12 on renewable electricity production in 2015. The law provides the framework for large-scale renewable energy projects with three main areas for support:

1. generation for export (currently not applicable);
2. self-consumption and sale of surplus; and
3. generation to meet domestic needs under a power purchase agreement (PPA).

Tunisia's PPAs fall into two groups: a) the ***authorisation regime***, covering projects below 10 megawatts (MW) for solar and 30 MW for wind, awarded through simple tenders; and b) the ***concession regime***, covering projects over 10 MW for solar and over 30 MW for wind, awarded via competitive concessions. As of early 2020, progress towards the target has been slow, with renewable electricity making up approximately 3% of Tunisia's overall generation mix.

The IRENA Coalition for Action Business and Investors Group, which brings together leading renewable energy businesses and investors, sees great potential for investments in Tunisia. 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 Tunisian 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 around intermediate targets and the deployment schedule for renewables**

  The Tunisian Solar Plan has been central in translating generation targets of 12% by 2022 and 30% by 2030 into actual capacity installations. From 360 MW installed by 2019, the plan identifies an additional 1 860 MW of renewables needed by 2022 and 3 815 MW by 2030. Enhanced clarity around intermediate targets would help to determine medium-term investment needs and strengthen progress towards targets. A roadmap for annual capacity installations could be useful for investors to better understand how and when the government expects to achieve each target. The government may consider aligning such potential roadmaps with plans for grid enhancement.

- **Improve the bankability of PPAs for renewable energy projects**

  Following the withdrawal of leading prequalified global bidders from a current solar photovoltaic (PV) auction, the Business and Investors Group remains concerned about PPA bankability in Tunisia. While the concession regime sets out state guarantees, the government may wish to revisit conditions related to changes in law, force majeure and dispute resolution. Until now, project developers have found limited chances for input to bilateral PPA design. Moving forward, a neutral third party (an independent regulator) would be helpful in overseeing PPA design.

- **Support financing capabilities of local commercial banks**

  Local debt financing for commercial solar projects suffers from a lack of long-term financing options, coupled with limited familiarity of banks with renewables and PPAs. The Business and Investors Group welcomes efforts to strengthen local bank capacity to conduct risk assessments for renewable energy projects. The government could also explore partnerships and co-financing with international institutions and bilateral funding partners, positioning local banks as financial intermediaries to help project developers address risk concerns. Finally, concessional loans through state-owned banks could offer more competitive long-term financing, interest rates, non-recourse and other lending terms.

- **Streamline administrative processes for renewable energy development**

  With current support mechanisms, developers face lengthy procedures and high transaction costs. Slow information flow and postponements of grid upgrades are significant barriers, which could partly be addressed with simplified procedures and digital information tools. As in much of the region, complex land acquisition agreements present an additional hurdle. To facilitate renewable energy development, the government could designate development zones for renewables.

- **Establish an independent energy regulator**

  Creating an independent regulator along similar lines to the national telecom authority (INT – Instance Nationale des Télécommunications) would differentiate regulatory and operational roles, avoid conflicts of interest, and strengthen deployment. Such a regulator, formed under the Ministry of Energy, could initiate sector restructuring and prepare the ground for interconnections and cross-border electricity trade with neighbouring countries and Europe.

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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