The future of renewables in MENA

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Six months following the World Health Organisation's announcement of a pandemic, the MENA market has soldiered on with a number of huge projects hurdling the economic difficulties produced by the Covid-19 pandemic to reach financial close – including 3 more in just the first week of September 2020.

However, the rumblings that could be felt in a mysterious land further west – i.e. Portugal – have revealed that MENA is no longer home to the world record tariff for solar PV, despite new projects in Abu Dhabi and Qatar setting new records this summer (late July 2020.)

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The Portuguese Directorate General for Energy & Geology announced on 27 August that its 670MW solar tender drew a bid as low as $0.0131 per kilowatt hour which now holds the record, albeit in an aspirational context, which beats the $0.0135 tariff offered by EDF/Jinko Power for the 2GW Al Dhafra... which is also aspirational at this stage.

Nonetheless, how can the MENA market respond to this latest challenge? Or to broaden the question further, what lies in store for the renewables sector in the region?

IJGlobal spoke to developers, advisers, and bankers for what opportunities they foresee and anticipate the most in MENA renewables in the coming 'post-Covid' – or perhaps even the 'with-Covid' – era.

Developers

Perhaps unsurprisingly at the top of the list is Saudi Arabia and its NREP headed by the Renewable Energy Project Development Office (REPDO) which is still working through its second round but nonetheless has 1.2GW of solar ready to be bid on in the third round – split between categories A and B.

B is the much larger of the 2 – comprising 1GW of solar PV – and consisting of 2 projects:

- 700MW Ar Rass
- 300MW Saad

REPDO issued the RFP documents for NREP R3 at various points in April (2020) and structured its indicative schedule around the disruption of the pandemic which at this point of the year was pushing many ongoing tenders back. However, such is the scale of the pandemic that REPDO recently added yet more bidding time for its third round – the RFPs for Ar Rass and Saad projects are now due on 9 December.

Elsewhere up to nine developer consortia bid on a 755MW solar PV programme in Iraq on 1 September which was re-tendered following its initial launch in May 2019. These are:

- 300MW Karbala solar PV – Karbala Province
- 225MW Iskandariya solar pv – Babil Province
- 50MW Jissan solar PV – Wassit Province
- 50MW Al Diwania solar PV – Diwania Province
- 30MW Sawa-1 solar PV – Muthana Province
- 50MW Sawa-2 solar PV – Muthana Province
- 50MW Khidhir solar PV – Muthana Province

A spokesman for Iraq's Ministry of Electricity told the state-run Iraqi News Agency in June that the 755MW tender was put to one side due to the pandemic but was subsequently re-issued to the market. The bids submitted on 1 September are thought to be between $0.04 and $0.08 per kilowatt hour.

A similar story comes from Kuwait where the KD530 million ($1.7 billion), 1.5GW Al-Dibdibah solar PV project is to be re-tendered as an independent power producer (IPP) which was announced a week after its cancellation by the Kuwaiti Council of Ministers on 13 July despite the receipt of seven bids. The tender scrapping was blamed on the pandemic… however the decision also enabled the switch to the IPP format, which will mean the prospective developer will be expected to raise the project financing as well as O&M the asset when it is up and running.

KAPP will replace Kuwait National Petroleum Corporation (KNPC) as the implementing authority on the tender and will also be mandating a new advisory team. The RFQ stage is expected to be initiated in Q1 2021.

Oman has also had some issues at the political level affecting its procurement drive due to the pandemic – its PPP unit was folded into the Ministry of Finance last month, after just a year of existence. Nonetheless, there are hopes that this will not disaffect the Oman Power & Water Procurement Company (OPWP) and its 1GW+ solar programme which has nine prequalified consortia coveting the following projects:

- 500-600MW Manah Solar I IPP
- 500-600MW Manah Solar II IPP

Each project will be awarded to separate consortia and much like on the latest Saudi NREP round an extra-long period of bidding time was given to reflect the disruption of the pandemic – RFP bids are due 7 December.

Advisers

The original advisory team for the 1.5GW Al-Dibdibah in Kuwait was not dismissed without controversy, as a source on the team told *IJGlobal* at the time: "We spent a lot of time, money, and bid bond on the bid. All gone to waste." The episode provided a fresh reminder of the difficulty of getting projects off the ground in Kuwait, where just two PPPs have reached financial close since 2008 – the most recent being the Umm al Hayman wastewater PPP in late July.

Nonetheless, a sufficient amount of time has now passed and the Kuwaiti solar PV is once again drawing interest from other consultancy firms. *IJGlobal* also asked around in the market for other upcoming renewables with advisory roles to be filled over the coming months.

Emirates Water and Electric Company (EWEC) is understood to have yet to issue the RFP for the transaction advisory for a 1.5GW solar scheme in Abu Dhabi – the third such major IPP after the 2GW Al Dhafra solar IPP and 1GW+ Sweihan solar IPP.

Meanwhile additional opportunities await in North Africa – the Moroccan Agency for Sustainably Energy (Masen) invited expressions of interest from developers for the first phase of its 400MW Noor PV II multi-site solar programme in February, just a month before the start of the pandemic. The programme has been slowed down for obvious reasons and has long since missed its anticipated RFP launch target of Q2 2020, but nevertheless it is understood that an advisory team has yet to be appointed by Masen.

The sites selected by Masen for Noor PV II include:

- Bejaad
- Boujdour 2
- El Hajeb
- Guercif
- Kelaa des Sraghna
- Laayoune 2
- Lakhtatba
- Midelt
- Taroudant

Developers may be selected for each of the locations marked by Masen and a maximum of 40MW of solar PV may be developed at each site, consisting of smaller lots of 5MW to 20MW each.

Next door in Algeria, the government announced in May plans to launch its 4GW TAFOUK1 solar programme, which comprises new solar PV projects spread out across the North African state. The projects have a combined value between $3.2 and $3.6 billion, according to the government's own estimate, which has certainly caught the eye of consultants.

The government set out the framework for a 4GW solar programme in April 2017 with the intention of satisfying both domestic power needs and export purposes, but progress had slowed well before anyone worked out what the number after Covid referred to. Regardless, TAFOUK1 is expected to be complete by 2024 and as of yet no advisory team has been appointed on the programme.

Banks

All of these renewable energy opportunities across MENA may well be mouth-watering enough to dampen your facemask, but what about the financial viability of fresh power projects going ahead?

"I think banks are more stable but only the stable projects will attract robust market appetite," one financial adviser in Dubai told *IJGlobal*. "It's an attractive sector and the contractual models have been proven in the region and, as long as they broadly follow the template, then there is no reason why they can't get closed."

Several utilities across MENA have sought outside support to achieve this semblance of stability for the period ahead – only at the start of September Morocco's energy utility Office National de l'Électricité et de l'Eau Potable (ONEE Water) received €50 million as part of a €300 million debt package provided by the European Bank of Reconstruction and Development (EBRD) to the government.

The message being sent is clear – to avoid the panic generated in the market caused by Oman's energy utility OPWP's announcement on 19 May to IPPs (as well as IWPs and IWPPs) that it would be deferring power (and water) capacity investment charges on its offtake agreements. The issue was resolved little over a week later after an intervention by the recently-enlarged Ministry of Finance to maintain these payments. Had the deferrals gone ahead however, the losses would have run into the hundreds of millions of dollars – a far more expensive casualty than damaging market appetite for funding new renewable energy projects.