

Annual Conference RES4MED

Rome, May 19th 2016

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Survey on the main barriers affecting investments in RE capacity in the Mediterranean

Rome, 18th May 2016



Why the Survey

We want to contribute to **reducing information asymmetries between policy makers and investors** in the Mediterranean RE market

- Since its foundation, RES4MED's activity has been focussing on observing RE policy making in the SEMECs countries, establishing cooperative relationships across the Mediterranean
- In recent months, we realized we have been missing the “voice of the investors” and their view of the investment environment in these Countries
- Thus, we conceived the Survey with the following objectives:
 - to gather investors' viewpoint on RE investment climate in the region
 - to sound out their *perception* about existing barriers/enablers to RE investments
 - to present *unbiased* results, analytically
 - to use results for *facilitating a discussion* and finally
 - to *reduce the distance* between investors' perception and the latest developments of RE policies in the SEMECs countries, through dialogue

How the Survey

We designed a sound methodological approach to screen industrial, financial and professional services actors' viewpoint about RE investment climate in the SEMECs countries

- We proposed investors to provide us with their views about RE investment landing conditions going through:
 - **5 thematic areas**
 - Legal framework enabling investments (general, RE specific)
 - Conditions affecting Revenues
 - Conditions affecting Costs
 - Conditions affecting Financial structuring
 - Environmental and Social issues
 - In each area, we identified a number of **topics** for a total number of **36**.
- Respondents were asked to express their **risk perception** using a **range of values from 1** (very low risk perception) **to 4** (very high risk perception) for each topic, then averaged per area

The investors' journey (1/3)

Which Countries respondents have been looking so far

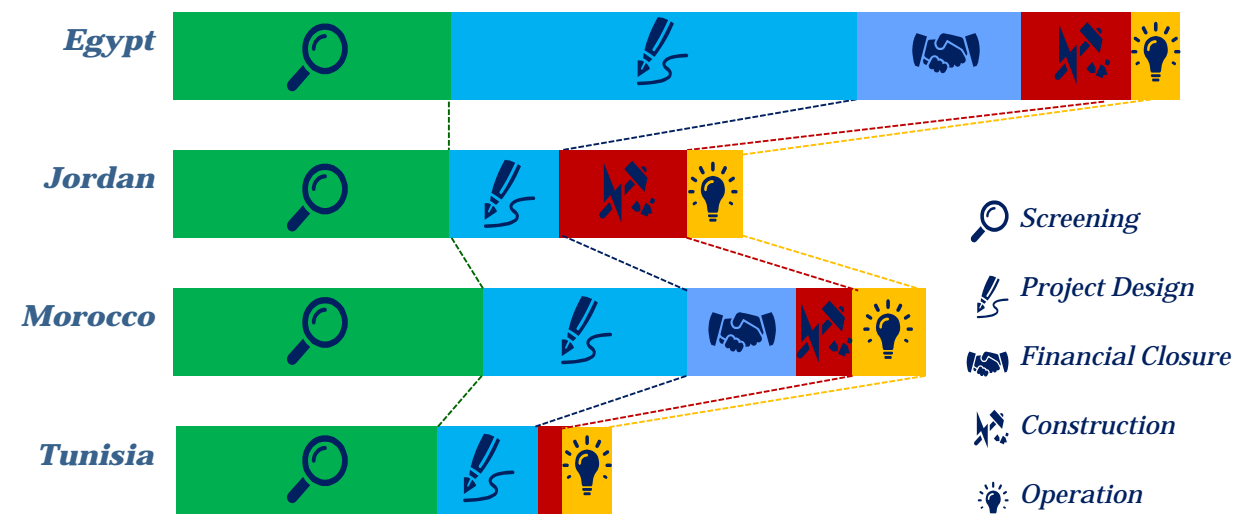
- We asked a selected number of high level investment decision makers to respond according to their knowledge and experience in the Countries they know best
- In order to obtain meaningful results, we asked respondents to choose the Countries they know best
- We intend the country coverage
 - on one hand, as an indicator about where respondents are in their investment journey across the SEMECs, at least so far and in relation with the surveyed panel
 - on the other, for the sake of carefulness, we used it to weigh up results and plan further investigations on the less covered countries



The investors' journey (2/3)

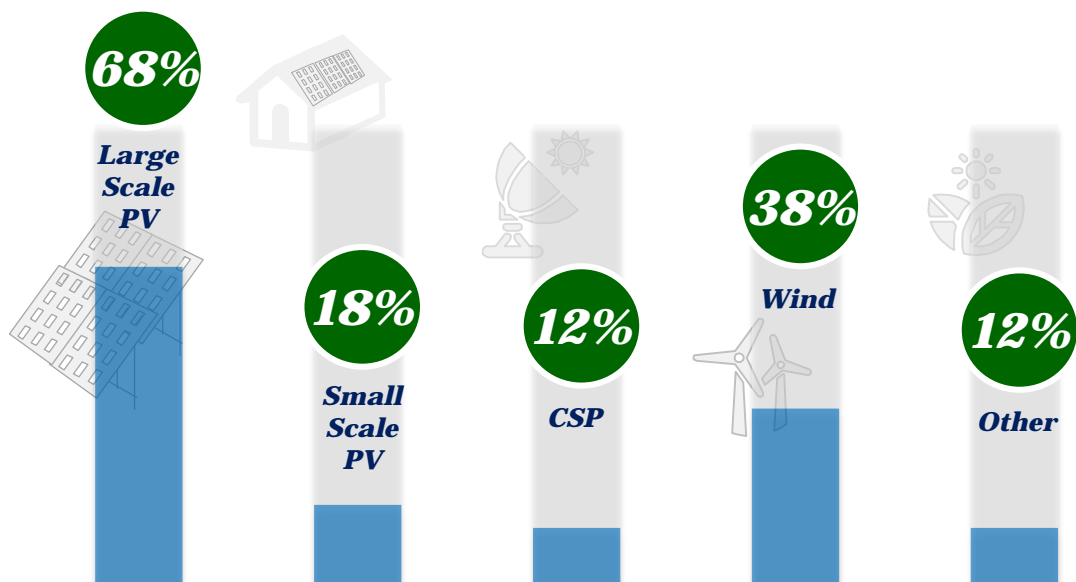
How far respondents have been going in their investment experience

- We asked respondents to tell us, for each Country, where they are in the investment preparation process
- In fact, respondents could express a different evaluation depending on the experience they had
- For example, investors in the operation stage are able to express a comprehensive judgment on investment conditions, as they went through all the process.
- The **higher** is the participants' involvement in each Country, the **more reliable** is the evaluation they provide



The investors' journey (3/3)

Which technologies respondents are interested in



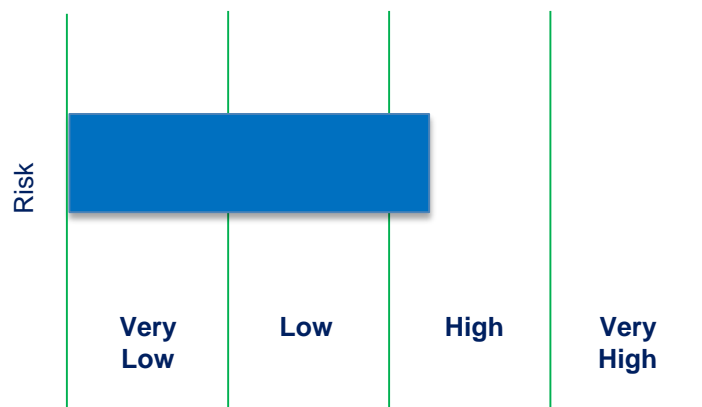
Note: Respondents expressed interest in more than one technology

- Utility scale PV technology raises the highest interest within the respondents (68% already investing in this field)
- Wind energy attracts the 38% of respondents
- Among utility scale plants, CSP is lagging behind (12%)
- There is attention towards small scale PV, although market opening is not complete.
- Investors, thus, are more oriented toward large plants (High Voltage-connected, so that they are sensible to typical grid access and capacity issues).

Egypt

Main findings

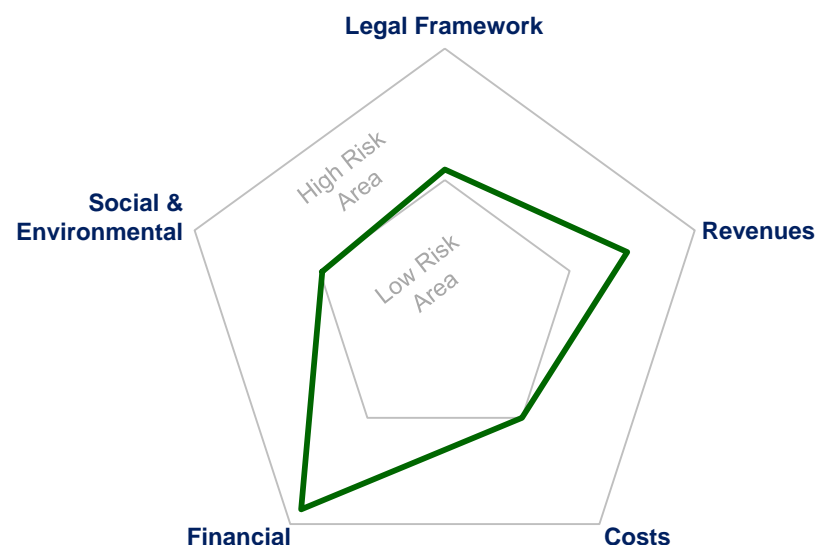
Overall perception of risk



Point of weakness

- Affecting Financial structuring
 - Currency convertibility – lack of foreign reserves
 - Volatility of EGP exchange rate
 - High interest rates
- Affecting Revenues
 - Grid curtailment
 - Off-taking price setting mechanisms
 - Profit repatriation

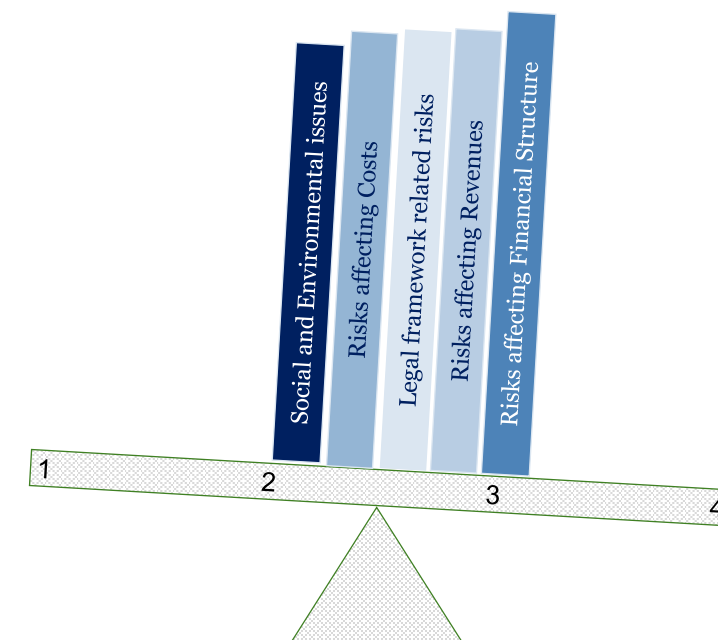
Risk perception for each area



Point of strenght

- Availability of local skilled workforce
- Availability of experienced local manufacturers
- Logistics

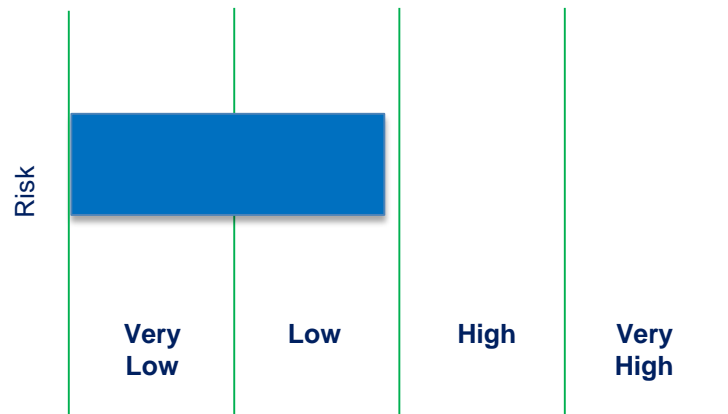
Main factors influencing risk perception



Jordan

Main findings

Overall perception of risk



Point of weakness

- Affecting Costs
 - Permitting
 - Security (especially in operational phase)
- Affecting Financial structuring
 - Long term/ Short term credit availability
 - Fluctuation of interest rates

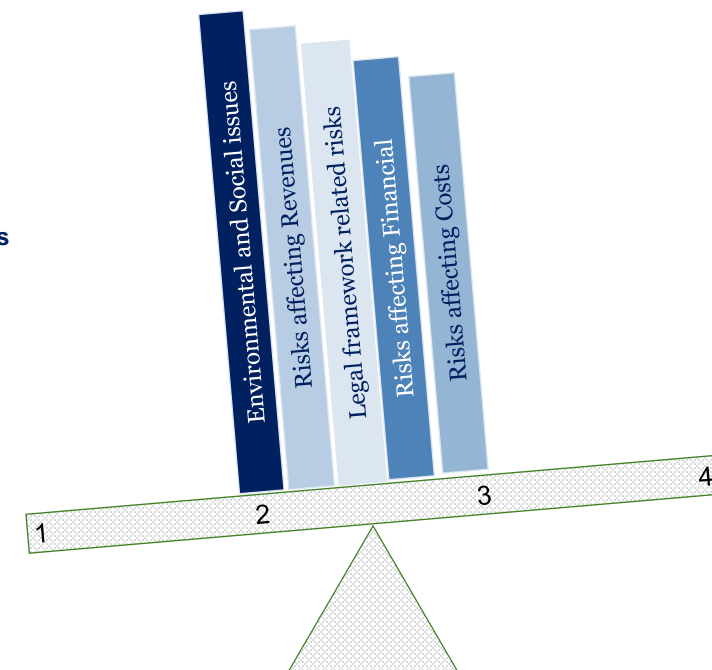
Risk perception for each area



Point of strenght

- RE regulatory framework reliability
- Institutional actors' roles and responsibilities
- Ease of profit repatriation
- Logistics
- Exchange rate risks
- Currency convertibility

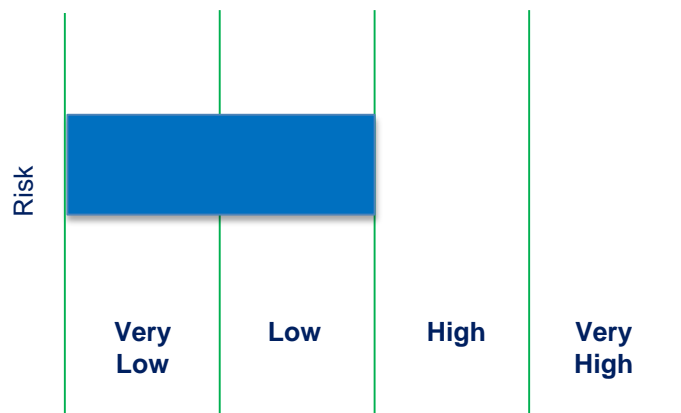
Main factors influencing risk perception



Morocco

Main findings

Overall perception of risk



Point of weakness

- RE legal and regulatory framework:
 - Long term development of grid capacity
 - Lack of independent regulatory authority
- Affecting Revenues
 - Grid curtailment
- Environmental and Social issues
 - Social acceptance

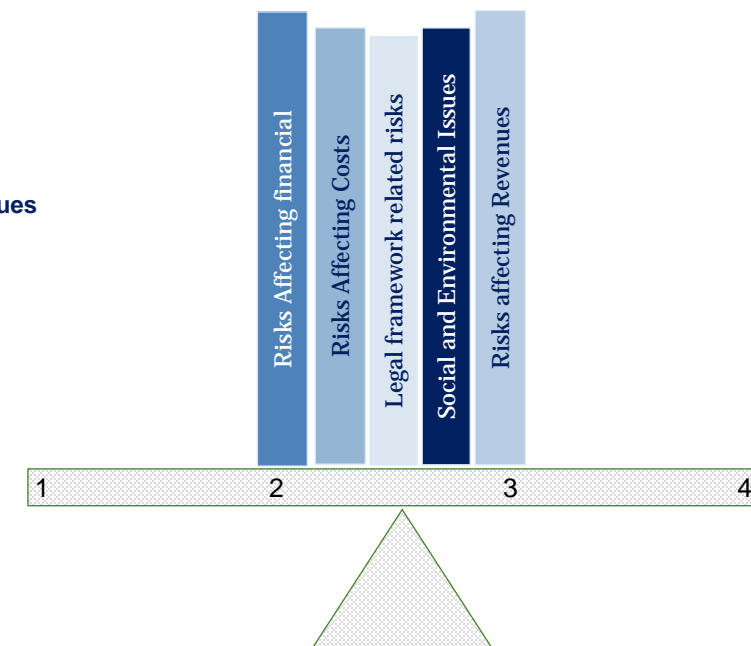
Risk perception for each area



Point of strenght

- Long term and short term credit availability
- Security (both in construction and operational phase)
- Business travel rules

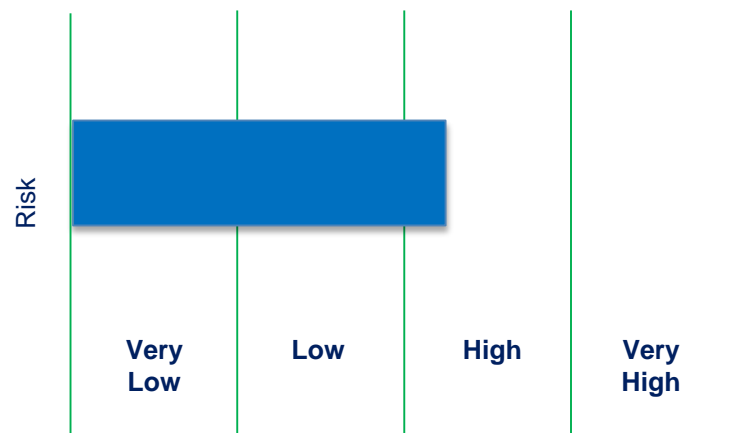
Main factors influencing risk perception



Tunisia

Main findings

Overall perception of risk



Point of weakness

- RE legal and regulatory framework:
 - RE regulatory framework reliability
 - Grid access rules
- Affecting Costs
 - Security

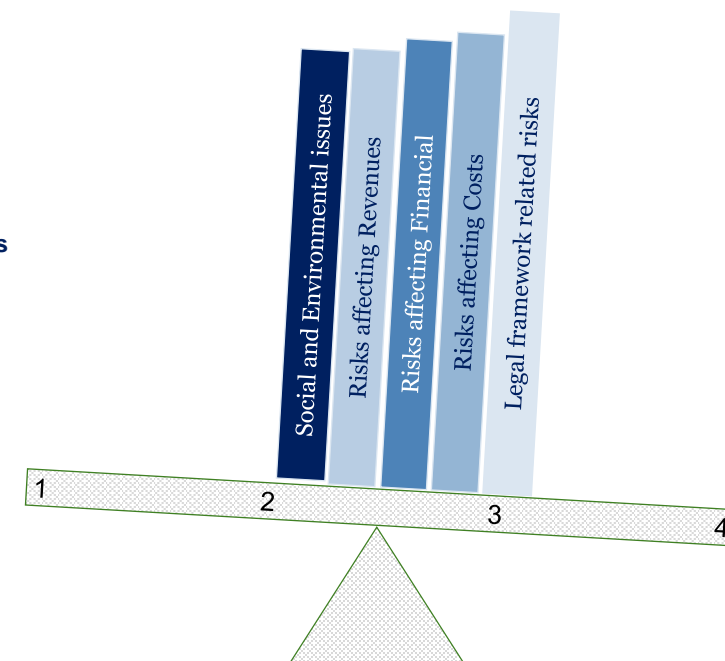
Risk perception for each area



Point of strenght

- Dispute resolution issues
- Availability of studies covering resource assessment
- Availability of skilled workforce in construction phase
- Logistics

Main factors influencing risk perception



Way forward

Continuous dialogue brings benefits

- This survey results can be considered as a basis and for an open discussion between the two sides of the business arena (public policy makers and private investors), in order to try to match their respective viewpoints.
- We consider this survey as the first step of an exercise we would like to repeat to track any change in the investing trend in the coming years, keeping on contributing to deploying renewables in the Mediterranean.

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