



RENEWABLE ENERGY SOLUTIONS
FOR THE MEDITERRANEAN



Deploying Renewable Energy in the Mediterranean: a call for joint public-private effort

Priorities and recommendations from the private sector

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The rationale for RE deployment and its economic, industrial, social and environmental benefits for the SEMC's have been well established by all institutional stakeholders. Indeed, most countries have set out quantitative targets and consistent deployment strategies and action plans to exploit the large resources available, particularly wind and solar. In the past two years these technologies have experienced a drastic cost reduction and thus are already competitive in many sites with fossil fuels.

Multilateral and bilateral Euro-Mediterranean cooperation programs have elaborated and identified the determinant factors in policy, regulation, financial support, market integration, transmission infrastructure and industrial development; now **an effective implementation must be the next priority** for which close and inclusive Euro-Mediterranean cooperation remains the best course of action.

Since 2012, RES4MED members and partners promote effective public-private-partnerships (PPP's) as a key factor to accelerate RE implementation in the region.

RE power industry's 4 priorities and recommendations

To meet their increasing energy demand and diversify their current energy supply mix, **SEMC's decision makers need to encourage private sector involvement in order to attract adequate infrastructure investments.**

A set of priorities and recommendations are suggested from the private sector's perspective to effectively contribute to the energy transition in SEMC's.

1. POLICY AND REGULATION

The **creation of a business-friendly environment** is a pre-requisite for RE deployment. As technology costs have dropped, building and operating RE power plants and the associated grid infrastructure have become standard business. However, the introduction of specific regulatory aspects indispensable to developers and investors is required to start a steady transition to RE in the SEMC's.



Key recommendations

- Aim for a **market-based approach** that can provide clear price signals, increase the cost-efficiency of decarbonization, and allow consumers to take an active role in the promotion of RE;
- **Phase out high fossil energy subsidies** to create a level-playing field for RE and to reflect actual market-driven costs;
- Introduce **power market reforms** towards cost-reflective electricity prices for all customers, protecting the vulnerable consumers with tariffs or fiscal shields;
- Develop and strengthen the role of **independent regulators, and** consolidate regulated **grid access rules** and **grid cost-allocation** schemes;
- Introduce the necessary **legislation** to allow RE independent power producers (IPPs), auto-producer schemes, and access to third-party buyers;

Recommended detailed actions

- Ensure **non-discriminatory access to the grid** and clear regulation of transmission conditions;
- Promote **legal certainty** to secure land access, fair and timely authorization processes and transparent local permitting and building procedures;
- Standardise and **streamline project documentation** requirements and **administrative processes** to reduce projects lead time and increase project bankability;
- **Allow new market operators** with low entry barriers in generation, trading and marketing of power, that encourage in particular private and/or foreign companies to invest in the form of PPP's;
- Promote the role of **distributed generation (off-grid) solutions** and adjust legal, institutional and regulatory frameworks accordingly.

2. BUSINESS MODELS AND FINANCING

Regulators are encouraged to allow the existence of several business models and off-take entities in order to increase the energy mix diversity and meet growing energy demand. No particular preset business model should necessarily be applied to the different legal and regulatory structures across the region; however, some general basic principles should be established to smoothen out coexistence of varying business models. **PPA schemes** are among the most appropriate instruments for large-scale projects' bankability in SEMC's. Likewise, initial capital investment, cost and financing conditions are crucial determinants of LCOE and sound financial conditions need to be coupled with solid risk management instruments.

Key recommendations

- Achieve **standardization** and **fair bidding conditions** for competitive PPA tenders;
- Activate International Financial Institutions (IFI's) to **promote standard tender practices** by funding large scale projects as well as providing financing via local banks to help the development of distributed generation;



- **Promote and regulate physical electricity trade** by utilities and IPP's with neighbouring markets;
- Ensure **stability of revenue streams** by securing against regulatory crawl back, counterparty risk, and creditworthiness of off-taker, which is important for project bankability;
- Integrate financing mechanisms for **distributed generation business models**.

Recommended detailed actions

- Couple **sound financing conditions** with **solid risk management instruments** such as guarantees for PPA's, soft financing instruments, and political risk mitigation measures.
- **Social and environmental risks** deserve proactive scrutiny from the onset and throughout the project lifecycle, and should be managed through a structured Environmental and Social Management System;

3. INFRASTRUCTURE DEVELOPMENT

Political and institutional stakeholders should dedicate greater attention to **regional grid planning and interoperability** to ensure a smooth integration of RE in SEMC's.

Key recommendations

- Promote the **expansion** and the **upgrading of the national grids** in line with planned capacity expansion plans;
- Promote **optimal integration of RE in the electricity systems** through **cost-benefit analysis**;
- **Strengthen intra-SEMC interconnections** and foster south-south cross-border power transactions to follow market drivers and facilitate balancing;
- Improve **regulation for the efficient use of existing grids** by adopting region-wide common rules for cross-border trade, capacity allocation methods, congestion management and inter-TSO compensation schemes.

Recommended detailed actions

- Establish clear, harmonized, and publicly available **rules for grid access** in the SEMC's;
- Design capacity allocation rules so that transmission infrastructure can be used flexibly over its lifetime. Therefore, **tradable long-term transmission rights** on interconnections (and eventually also on domestic bottlenecks) should be allowed;
- **Disclose data on electricity trade** among SEMC's.



4. SOCIO-ECONOMIC IMPACT AND KNOW-HOW BUILD-UP

The deployment of RE creates a **local manufacturing and services industry**. This requires the involvement of the private sector along the whole value chain to generate positive employment effects: a market for RE as well as investment in local manufacturing are necessary.

Key recommendations

- Promote the adoption of instruments and supporting mechanisms aiming at **assessing the socio-economic benefits** generated by investments in RE projects in terms of **job creation** and enhancement of **competitiveness**;
- **Create bi-directional flagship exchange programs** for tertiary education, vocational training, and private sector training to **spread international best practices**;
- **Valorise capacity building** as a leverage to achieve long-term ownership and empowerment for the transformative path needed for RE development in the region.

Recommended detailed actions

- Increase **project origination** in SEMC's by promoting the role of domestic developers and thereby contributing to capacity building;
- Establish independent **certification of local companies** for services, systems and components;

Conclusions

RES4MED members and partners contend that the **joint effort of the public and private sector is more important than ever** to deploy RE in SEMC's energy markets. The private sector is committed to cooperating through a platform of recommendations and priorities set above. It will continue to provide input and constructive opinions in order to accelerate this deployment in strong cooperation with other institutional actors to accelerate the deployment of RE projects and make renewables in the Mediterranean a reality.

RES4MED is a network of 28 leading international renewable energy stakeholders – utilities, industries, agencies, technical service providers and top academia – engaged in promoting clean tech solutions in the Mediterranean region, dedicated to facilitate power infrastructure investments in Southern and Eastern Mediterranean countries (SEMC's).

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