



Africa Energy Futures: Tunisia

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Over the last 5 years, how has the energy mix changed, and what have been the key drivers?

In 2013, Tunisia embarked on a national debate to put in place an energy transition strategy for 2030. The energy transition strategy has two main areas: the efficient use of energy, with the objective of a 30% reduction in primary energy consumption by 2030; and an energy mix diversification policy based essentially on the development of renewable energy. To carry out its policy in this area, the state has set up the Tunisian Solar Plan (PST). The aim of the PST is to increase the share of renewable energy in total electricity production from 3% at present to 30% by 2030. The latest version of the PST adopted in July 2016 calls for a total installed renewable energy capacity of 1860 MW by 2023 and 3815 MW by 2030, increasing fivefold and tenfold, respectively, from 2017.

Law 2015-12: Tunisia also put in place, in 2015, a regulatory and institutional framework to promote investment in self-generation projects and independent production of electricity from renewable sources, with Law 2015-12 on electricity production from renewable energy as a reference text. This law established a legal framework governing the implementation of electricity production projects from renewable energies through three regulatory regimes:

- the self-consumption regime
- the permit regime via calls for projects
- the concession regime via calls for tenders

This law provides three possibilities for electricity production from renewable energies: self-consumption; total and exclusive sale of power to the Tunisian Electricity and Gas Company (STEG) for national consumption; and export.

The Tunisian-German Partnership: Set up at the beginning of 2012 with the signing of a joint declaration, the Tunisian-German Partnership stated the intention to establish energy cooperation mainly focused on renewable energies, reduction of energy consumption, sustainable development, and climate protection. In this framework, the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) GmbH supports the promotion of renewable energy and the improvement of energy efficiency with a focus on developing the solar market in rural areas. A contract was concluded in 2017 by the Tunisian Ministry of Industry, Energy and Mines to implement the Supporting the Tunisian Solar Scheme project financed under a grant from GIZ with a budget of EUR7 million. This project ensured the necessary technical support for the implementation of the National Renewable Energy Power Generation Programme 2017-2020. Among its most significant achievements, the project has provided support during most of the tender phases for the scheduled installation of 500 MW of solar photovoltaic (PV) energy at up to five different sites in the governorates of Sidi Bouzid, Kairouan, Gafsa, Tozeur and Tataouine. According to the data presented by the ministry, these plants have allowed for very competitive rates (80 millimes per kWh), being the lowest price obtained in similar power projects in Africa.

What is the outlook for the energy and natural resources sector in the next 5 years?

In particular:

Key policy decisions

Tunisia has significant renewable energy resources, mainly solar and wind energy. The exploitable potential of PV energy is estimated by the National Agency for Energy Management (ANME) at several hundred gigawatts. The overall average horizontal radiation (GHI) is about 1850 kWh/m², which translates into an average annual production of solar PV systems of about 1650 kWh/kWp.

Currently, Tunisia is in the process of launching its first generation renewable energy projects. As part of this process, the state plans to build renewable energy projects with a capacity of 500 MW. Annual investment for these projects is estimated at USD400 million, which will improve Tunisia's energy autonomy, reduce production costs and create jobs. In addition, a call for tenders regarding the installation of a wind farm with a production capacity of 300 MW in Jebel Sidi Abderamane (governorate of Nabeul) and Jebel Tabeka (governorate of Kebili) has been launched in 2021.

By 2030, Tunisia plans to develop second-generation clean energies (concentrated solar thermal power (CSP), pumped storage and turbines (STEP)) to boost hydrocarbon exploration and production by upgrading energy infrastructure (storage) and to develop new electrical technologies (mobility). Some new measures are expected to improve the investment climate for renewable energy production. These will include the establishment of an independent electricity regulator that will ensure compliance with regulations and encourage a transparent and fair competitive environment for private producers. One of its tasks will be to supervise procedures for the development of renewable energy projects. It will also be responsible for the proper coordination between the administration and the various market players.

The Energy Transition Fund (ETF) also needs to be made fully operational, as the main financing tool for activities related to energy efficiency and renewables in Tunisia. The application of new taxes on energy products (Law No. 2013-54 art. 68) will help strengthen its resources, and the ETF will allow the granting of credits and support for energy management projects in the form of refundable grants or equity participation (as provided by Decree No. 2017-983).

Main policy challenges

Notwithstanding the significant growth of this sector, some financing challenges can slow down the realization of large-scale projects. Some banks and funders designate such projects, launched under contracts with STEG, as potentially risky and decline to finance them. The challenge for the government is to strengthen the human and technical capacity of local financial institutions to enhance their ability to appraise project risks and to encourage them to set up credit facilities. There is also a need to intensify the raising of foreign funds, including through bilateral cooperation and financing programs.

Given the multiplicity of ministries and public institutions involved in renewable energy projects, investors are sometimes faced with slow administrative procedures that delay the start of their projects. To overcome this, the government will need to simplify the procedures for granting authorizations and employ qualified staff able to study the various requests in a shorter time span. The Tunisian Investment Authority, whose mission is to accompany investors in all stages of their projects, can be a one-stop-shop to facilitate the process.

With particular focus on sustainability, and on reducing carbon emissions, how will the energy and natural resources landscape change over the next 5 to 10 years?

Reducing carbon emissions: Tunisia is a signatory of the 2015 Paris Agreement on climate change. The state has thus committed itself in the Nationally Determined Contribution (NDC) to reduce its greenhouse gas emissions in all sectors (energy, industry, agriculture, forestry and other land uses, waste) so as to reduce its carbon footprint by 41% in 2030 compared to the base year 2010. The energy sector is specifically targeted for a 46% reduction by 2030. This reduction in carbon intensity will be achieved through renewable energy projects.

To honor its international and national commitments, it is essential to involve all sectors in the energy transition. It is within this framework that ANME launched a national program for the energy transition of public institutions and ministries in April 2021. This initiative will be spread over four years (2021-2024) and will result in the installation of self-generating PV systems. The ministries of health, education, higher education and youth and sports will be equipped as a priority, resulting in a 26% reduction in electricity consumption.

New green hydrogen market: The green hydrogen market is an emerging opportunity in which Tunisia is seeking to position itself, given its abundant renewable resources. In 2020 Tunisia concluded an agreement with Germany, endorsing what has been called the Tunisian-German Alliance for Green Hydrogen. By virtue of this agreement, Germany is granting Tunisia a EUR31 million donation to set up a pilot hydrogen production unit, studies, capacity building, and set up an institutional and regulatory framework, among others. Italian investors, who have traditionally been involved in the oil sector in Tunisia, have also expressed their interest in developing green hydrogen. In 2021 during meetings with the government, two high-level delegations representing the oil and gas players SNAM and ENI affirmed their willingness to invest heavily in the sector in Tunisia.

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