



EDAMA
Energy, Water & Environment



EDAMA Position

Private Sector Calls for Strategic Actions, not Band Aids

1.4 piasters / kWh extra on distributed energy projects.

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EDAMA Association is deeply concerned about the recent decision by the Energy and Minerals Regulatory Commission (EMRC) to charge JOD 2 per kW on grid-connected net-metering and wheeling (Renewable Energy “RE”) systems without prior consultation with sector stakeholders, and without explaining how this fits within an overall development plan for the distributed energy sector. This decision will have a significant negative impact on the RE sector in Jordan and undermines the progress made in recent years to develop the sector, and certainly, is inconsistent with the initiatives of the Economic Modernization Vision Sustainability tracks.

The RE sector is already struggling as a result of a limited grid capacity and connectivity, and there is no clear plan from the MEMR/EMRC for the use of funds levied by this decision and the strategy for further investment in renewable energy and enabling technologies such as grid upgrades, storage, energy efficiency, electrification and demand side management or self-consumption /zero feed in solutions. This decision comes after a previous decision to impose additional fees on the net metering system in Jordan for residential consumers, which had a negative effect on the sector as well as the consumers. This 2 JD/kWp represents approximately 14 Fils/ kWh of additional cost to the distributed energy producer ⁰¹, on top of wheeling charges, as well as wheeling losses, and curtailment measures at the expense of the client.

RE is a crucial component of Jordan’s energy mix and energy independence since the country has limited domestic energy resources and relies heavily on imports of oil and natural gas. The RE sector in Jordan has grown rapidly in the last decade, attracting investments of over \$5 billion and creating thousands of direct and indirect job opportunities (4 indirect to 1 direct) not to mention placing Jordan on the regional and world’s RE map. The RE sector has also contributed to improved energy security, reduced greenhouse gas emissions, and to the country’s efforts to combat climate change. Savings realized to the national economy by way of reduced reliance on imported fossil fuels, as well as savings for the private sector that results in improved industries across all sectors’ competitiveness which contributes to job creation and growth in taxable income.

Jordan has set a target of generating 20% of its electricity from renewable sources by 2020 and 31% by 2030, and is currently hovering around 29% hence it has been presented to His Majesty on several occasions that the target would be 50% in 2030. Recognizing the importance of RE for energy independence/security, climate change, and cost reduction, the RE Law and respective governmental agencies have implemented policies and incentives to encourage investment in Renewable Energy, yet this decision clearly counter acts such direction, particularly as it did not provide a road map for incentivizing other RE and EE enhancement measures. This decision will undoubtedly have a negative impact on the economy at large and the level of trust with the government as an implementer of the Economic Modernization Vision.

The imposed 2JD/kWp per month will result in an additional revenue of around 26 MM JD per year (1.1 GW of grid connected PV systems) at best -it is approximately 20 MM JD once small and medium industrial sectors as well as agriculture are excluded since they may be exempted - will presumably support NEPCO to plug part of the deficits incurred due to the imbalances between supply and demand, and the misconception

01 (2 JD/kWp/month x 12 months / 1750kWh/kWp which is the annual average yield for a typical solar system)

that RE generators are using the grid to “store” electricity at no cost, which is a wrong description of net-metering and wheeling systems since the produced electricity is consumed immediately by the grid and the loads on the grid. It is not entirely clear if the level of RE penetration warrants such charges that were not considered neither by the developers nor by the consumers, and since the renewable energy grid-connected systems contribute to reducing losses, reducing daytime peak loads, bearing in mind that the wheeling systems already pay for wheeling charges and grid losses.

Let us assume that this tax represents 26 MM JD per year (although it is much less) , the 1.1GW of RE systems represent the following estimated benefits to the Jordanian economy:

- 135MM JOD of annual savings in fuel expenses (considering 1.1GW x 1750kWh/kWp x .07 JD/kWh)
- 230MM JOD of savings annually (assuming an average selling price of 0.12 JD/kWh) to the consumers (residential, commercial and industrial) which results in an:
- Income tax of the order of 10-35% of the above savings annually, which is approximately 25 to 50 MM JOD.

There is no doubt that increased RE penetration will require a rethinking of the technical, economic and policy issues related to the tariffs, wheeling charges, and new technology adoption, however, it seems that the application of 2JD/KWp charge does not fit into a comprehensive strategy and is a short term band-aid method that will not address the needs of the Jordanian economy, noting that the private sector has been advocating for immediate regulations and incentives for time of use tariffs, behind the meter storage, net-billing measures among other solutions to help the utility address the challenges related to the grid, that should also be in consultation with the private sector.

Despite the progress made in the sector, the renewable energy industry in Jordan still faces several challenges, including regulatory stability and certainty and bureaucratic barriers. The decision to impose a fee on renewable energy systems will only add to these challenges and have a negative impact on the sector, as evident by fewer approved permits and fewer EMRC licenses granted to contractors. This decision will make it more difficult for investors to finance renewable energy projects, deter further investments in the sector and discourages businesses for going green. Those that have invested in distributed generation will be affected with additional costs that have not been factored in their financial models, which will pro-long payback periods or make the project infeasible.

Moreover, this decision is contradictory to Jordan's commitments to climate change and its NDC under the Paris Agreement, whereby the private sector is further challenged to play its part in contributing to Green growth and clean energy. Jordan has pledged to reduce its greenhouse gas emissions 31% by 2030 compared to business-as-usual levels, and renewable energy is a critical tool to achieving this target. However, the imposition of a fee on renewable energy systems will hinder the country's ability to meet its climate goals and the transition to a low-carbon economy.

It is worth noting that Jordan is blessed with abundant sunlight, which is a free source of energy that can be harnessed through solar power. The government should be encouraging investment in renewable energy projects that harness this natural resource, rather than imposing fees that discourage investments.

Moreover, such a decision is not aligned with Jordan's Economic Modernization Vision which aims to transform the country – through public private partnership - into a more diverse, competitive, and knowledge-based economy wherein the energy road map transition plays a vital role in promoting the development of green new technologies, attracting investment, creating jobs, and reducing the country's dependence on imported energy.

We applaud His Majesty King Abdullah II's strong commitment to using renewable energy and combating climate change. In a 2019 speech to the United Nations General Assembly, His Majesty emphasized the importance of investing in renewable energy, saying that «we need to shift from being consumers of energy to producers of energy, particularly from renewable sources”. His Majesty confirmed the same during his participation in the virtual Leaders' Summit on Climate in 2021.

In light of His Majesty King Abdullah's strong leadership on renewable energy and climate change, it is crucial that the government takes the necessary steps to support the development of the renewable energy sector and achieve the country's renewable energy targets and beyond. The adoption of policies and incentives to promote investment in renewable energy and energy efficiency, as well as the reduction of regulatory barriers and stability of laws and bylaws can help to accelerate the growth of the renewable energy industry in Jordan and create a more sustainable and resilient energy system not to mention jobs and investments.

In conclusion, EDAMA Association urges the government to reconsider its decision to charge JOD 2 per KW for RE systems, and to work with all stakeholders to develop and adopt policies that support the growth of the RE sector in Jordan since it is a critical enabler for Jordan's economic growth, energy security, and efforts to combat climate change in line with His Majesty King Abdullah II's vision for a more sustainable and modernized economy that sustains job creation and reducing unemployment.