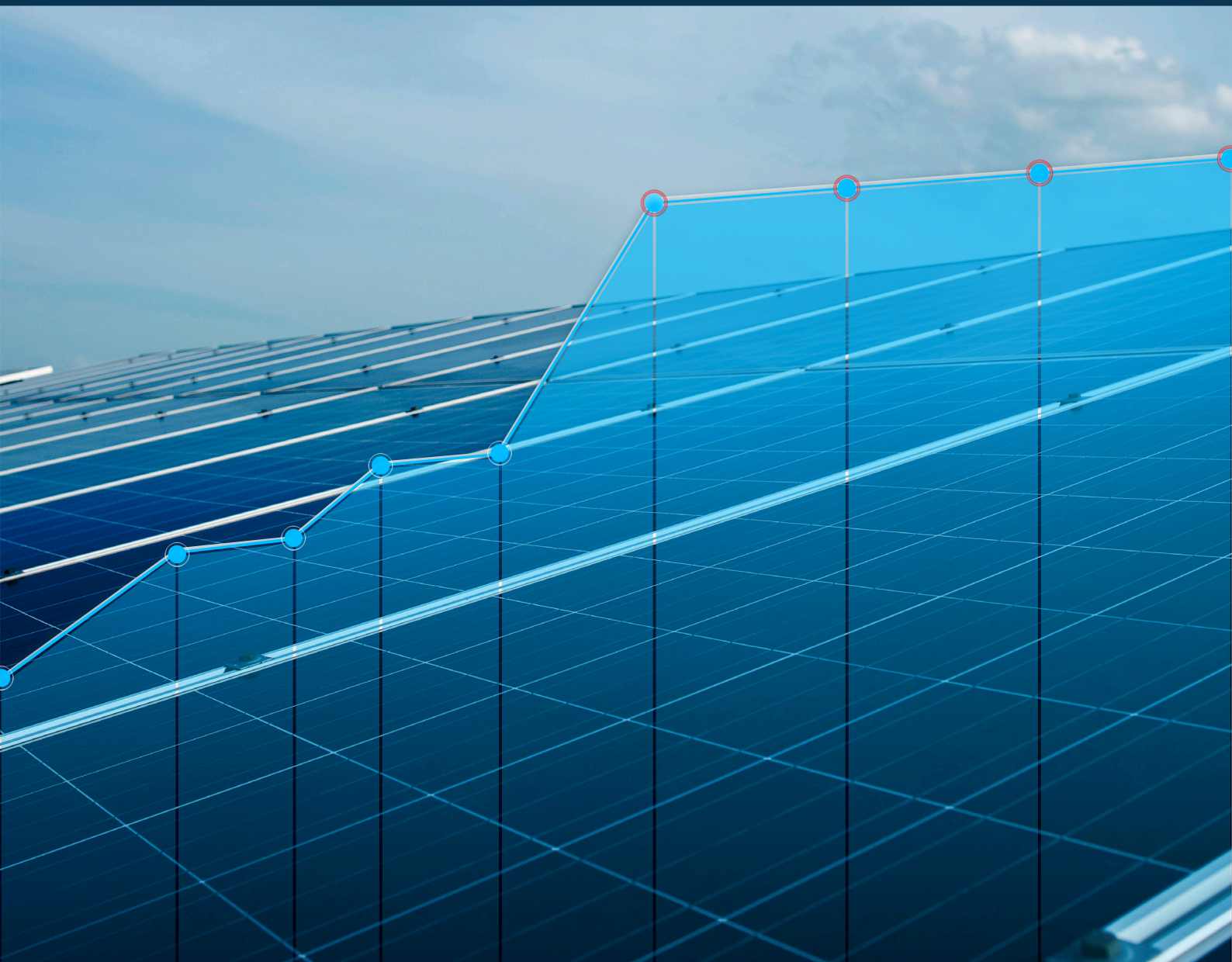




EDAMA
Energy, Water & Environment

The Cabinet Resolution on Suspending Approvals for Renewable Energy Projects





Introduction

A Cabinet Resolution dated 9th of January 2019, has been issued, in line with the Economic Development Committee recommendations related to the energy sector, on suspending granting approvals for renewable energy projects exceeding 1 Megawatt (MW), up until the Ministry of Energy and Mineral Resources (MEMR) studies are concluded; in case those studies revealed the possibility of integrating more renewable energy projects on the grid, government lands will be identified on which such projects will be established.

Such a sudden decision of this importance and magnitude, void of a wide collaborative study that incorporates all sector stakeholders, who cover and take all aspects into consideration, is going to adversely affect the progress and development of businesses in the renewable energy sector, constituting a real obstacle in the face of investment that will bear negative consequences of intolerable impact.

Such a decision represents regression on all levels of accomplishments that have been realized through this emerging sector, and a clear violation to all its related legislations, bearing quite a negative message to all its investors and people working in this sector, as detailed, hereunder:

Repercussions on renewable energy sector accomplishments

- The renewable energy sector is being presented as a success story across all local and international arenas, where Jordan prides itself as being ahead on all investment climate indicators pertaining to clean energy. This retreat on the level of those achievements is indicative of the absence of real appreciation of the sector's role in supporting local economies that attracted investment exceeding 2.5 Billion Jordanian Dinars, by the end



of 2018, over and above its role in attaining the strategy goal that promotes energy security in a state that almost completely depends on energy located outside its borders.

- The repercussions on the overall legislative work that has been developed in the renewable energy sector over the past years, are delivering a clear message that laws are unconstant and the investment climate is threatened, as toppling, and overlooking legislations are possible at any instant.
- The purpose of this resolution is unclear, since most of the challenges that are faced by the sector regulatory entities can be overcome, as is the case in many other countries that went through this experience, without having had to cease work in the sector.

This Resolution affirms lack of prior strategic planning that aims at integrating the renewable energy sector into the Jordanian energy sector matrix. Whereas, it would have been possible to execute National Electricity Power Company (NEPCO) studies at an earlier stage. It would have been equally possible to study long-term contracts and contracting over appropriate fuel quantities taking into considerations the entry of new resources in the overall energy mix. It is worthwhile mentioning that NEPCO had conducted several technical studies, within the same context, which poses new questions on what the study may entail in terms of new aspects.

The methodology of taking this decision void of reference nor consultation with active and impacted parties, and absence of collaboration in reaching results, will undoubtedly and fundamentally affect all investors and workers in this sector. Furthermore, the toll of errors in energy sector strategic planning will be borne by the renewable energy sector that had succeeded in attracting capital, employability and reduction in electricity costs down to unprecedented tariffs, on the otherhand, it holds no liability nor penalties to the Government in any way; it is an unstudied decision with serious consequences.



Violations to the Laws of the Ministry of Energy and the Energy and Minerals Regulatory Commission (EMRC)

- The renewable energy law was issued, aim of which is to “utilize and develop renewable energy resources to increase the percentage of their contribution to the total energy, achieve safe supply and encourage investments”. The recently issued resolution, topples the former and ends work in this emerging sector.
- The conditions depicting that the cost of purchasing energy from various renewable energy projects is proportional with the Phase III projects, stands against the essence of the EMRC’s instructions that stipulate the necessity of pin-pointing the purchasing ceiling via direct proposals projects, based on the average of the first 12 proposals, in the ascendingly-sorted shortlist.
- Lack of clear consideration to the size of projects that will be requested to attain suitable pricing to the Phase III Projects, where it has become a known basic fact that the size of project affects the prices of the produced and sold renewable energy.
Halting energy projects exceeding the 1 MW capacity stands against the regulatory instructions that depict upon tying the size of these projects with the amount of consumption, without looking into any other considerations.
- Demanding focus on storage projects within the current phases without meeting the required legislative requirements, beforehand; given the urgent need to issue legislations and instructions to regulate storage systems employment, which constitute the first steps towards considering them as an attracting investment opportunity.



Fundamentally affecting sector growth and investments

- All attempts and earnest perseverance to highlight Jordan as a promising investment front, and all attempts to attract investments, last of which was at the London Conference, expected to market hydro-electrical energy investment projects, are all in contradiction with this resolution that clearly threatens the investment climate.
- Halting projects exceeding the 1 MW, is a resolution that truly stands in the face of real investments in this sector, putting a stop to all of its opportunities, particularly that these types of projects are the ones apt to attract investments and create job opportunities.
- When the alternative energy economies are not heeded nor considered, and in the absence of holistic studies behind such a fundamental decision, business of this sector is being hampered. No consideration has been given to the socio-economic dimensions and the size of the impacted segment, given that the number of licensed companies via EMRC are about 300 companies, whereby the smallest of companies, working under the "C-Classification Category", are employing no less than 4 employees, according to the requirements of EMRC, not to mention 3 folds of this number of contracting companies that are working in the sector, employing more than 6,000 employees.
- Large numbers of licensed companies by EMRC, stand to lose big work opportunities, knowing that they are still start-ups. This will lead, in one way or another, to the reduction of work force in those companies, as these companies lose their investments in building capacities across the last recent years. This Resolution will create an expelling environment to such qualified work force in this sector.



Fundamentals and Propositions

The problem of the energy sector in Jordan is a tangible one, sensed by all. Seeking solutions is a mutual requirement by investor and citizen. To solve upcoming challenges, the existing mindset that has created those challenges has to be overcome, while seeking other than temporary and complicated solutions. Following are main considerations to be heeded to come out of this problem:

- Strategic planning, whereby a clear strategy goal is set, that clearly defines the aspired energy mix, followed by heeding that direction and protecting it from all arbitrary, sudden and unstudied resolutions.
- Commence with needed studies to put forth a good strategy that takes into consideration all the dimensions, without exclusively focusing on the accumulating debt of the NEPCO; and setting a timeframe of no more than 3 months, to conclude these studies.
- Include the private sector experts in planning the technical study to ensure attainment of a comprehensive study that meets the goal and answer all the questions.
- The new strategy has to aim for 100% renewable energy on the long term, which is a realistic and possible goal that many world countries seek, and Jordan has the necessary and needed resources to do that.
- This strategy has to put a clear time frame to free the sector and convert to the open market system, while ending the single buyer model, which currently exist and causing most of the current sector challenges.
- The planning has to heed cross-cutting and joint issues with other sectors, in order to



work on mutual grounds and goals, along side transport, industry, water and agriculture sectors.

Start in setting the necessary legislations to integrate storage systems in the electrical system, in addition to smart grids.

- Invest in solutions that would mitigate electricity surplus, such as electric cars, that would contribute to the consumption of the excess amounts of energy and work as mobile batteries that store energy.
- Abstain from completely halting all permits of projects exceeding 1 MW; put forth a new methodology to study new applications and availed investments opportunities and clarify the future of projects with preliminary approvals.
- Abstain from requiring compatibility of prices of submitted direct proposal projects to local public or private entities, with the pricing of the Round III Projects submitted to the Ministry, since it is insufficient to compare prices alone without taking into consideration the economies of scale and technical requirements in both cases.
- Conduct feasibility studies to open the scope of investments in the renewable energy sector through feed-in-tariffs, in parallel with the net metering system, and learn from the experience of developed countries who are ahead of us in this regard, having had attained profits and created new income to their respective governments.