

ANNEX F

Incentive schemes for renewable energies in Algeria

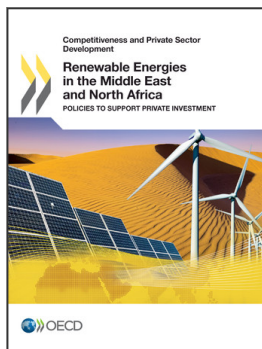
Algeria's Decree on the Diversification of Power Generating Costs adopted in 2004^{*} introduced FiTs to support the private production of electricity from renewable energy sources, but has not yet been implemented. The types of renewable energy covered include hydropower, wind power, geothermal and solar power and electricity from waste. The Commission of Electricity authorises power companies to produce electricity from renewable energy up to a capacity of 50 MW. The authorities bear the additional costs related to the use of these technologies through FiTs. The mechanism includes the following incentives:

- *Incentive tariff*: Article 12 of the Decree specifies the premium tariff granted to private production of renewable energy in a percentage of the price of electricity fixed by the operator on the national market per kWh. This mechanism also encourages hybrid production of electricity. Indeed a specific incentive tariff scheme is proposed for the combined use of solar energy and natural gas based on the percentage of contribution of renewable energy to the total electricity generated by the plant. Renewable energy producers that use such a system are granted an incentive tariff of 200% of the current price of electricity if it accounts for 25% or more of the total electricity produced by the plant. If it accounts for 20% to 25%, the incentive tariff is 180%. The rationale for using this mechanism is that the authorities find it one of the most effective ways of making use of renewable energies.
- *Guaranteed tariff*: The authorities guarantee to buy the quota of renewable energy stipulated in the authorisation contract at the incentive tariff. This quota is established by the commission based on a percentage of the power capacity of electricity produced by the plant. There is no indication whatsoever regarding the duration of the contract.
- *Access to the national grid*: The energy company is allowed access to the national grid and the national electricity distributor has the responsibility to connect the plant to the national grid under the condition that it is "reasonably feasible". The costs of extending the electricity network to connect the electricity production are shared as follows:
 - ❖ The cost of the study for the connection of the site to the national grid is borne by the electricity generating company.
 - ❖ The connection cost to the electricity network is borne by the network operator.

* www.mem-algeria.org/francais/index.php?page=decret-executif-couts-de-diversification-de-la-production-d-electricite-2.

- *Market priority*: The excess of electricity produced by the electricity generating company can be distributed through the national grid and is prioritised on the market.

This mechanism is close to the original FiT form. Furthermore, the advantageous tariff granted to hybrid solar energy and natural gas electricity generation, provides an incentive to current gas-fired power plants to start developing renewable energy as well. However there is a lack of clarity regarding the length of the contract, which represents a key aspect in the decision-making process of the investor. Furthermore, the lack of flexibility of the incentive tariff which fails to take into account the energy-producing capacity of the particular area of production leads to overpriced or underpriced incentives according to the situation of the land.



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