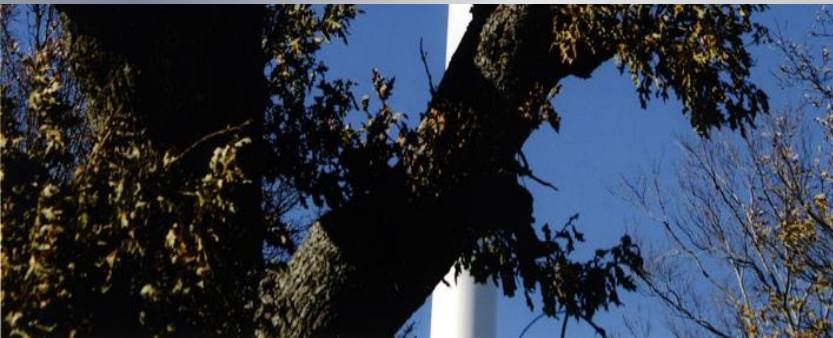




2nd Dii Desert Energy Conference
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Project Development Panel :
Co-operation between MENA and the EU



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Introduction for food for thought

- Most MENA IPP RES projects are Tender based
- Projects tend to be big and one at a time (bottleneck)
 - Many interested developers – only one project
 - Usually Good Resources
- Whilst project documents are quite well developed with the aid of consultants and/or the WB, some parameters pose threats to success and/or project timeline
 - Inadequate study of the Environmental Impact (i.e. Bird Study)
 - Gray Areas in Risk Allocation between the stake holders
 - Terra Incognita of the local licensing process
- Competition from Subsidies on Carbon Based Fuels for Electricity generation clouds the perception of the right tariff
- Bankability is crucial as everywhere in the world

Financing Implications

- Reluctance of Commercial Banks to enter the Market
- Big one shot projects = Big risks to stake holders
- While Interest rates from Multilaterals can be fair, Debt Service Coverage Ratios are a driver for higher Levelized tariffs even more than the developers' sought after IRR
- Project success parameters dictated by the lenders
 - Lenders Baseline same everywhere in the world

The importance of the legal frame work

- Clear Risk Allocation between stake holders
- Bankable Project Documents with sovereign guarantees
- Clear & Transparent licensing processes tailored for RES
- International successful experience can be serve as important blueprint

Tenders vs Independent Development Pitfalls

- Tenders
 - Many Developers - One Project (bottleneck)
 - Lack of complete EIA undermines the process
 - Tender process flaws discourage bidding (many prequalified-few bidders)
- Independent Development
 - Google Earth developers
 - Clogging of Applications at the Administration desks
 - Transmission capacity= ?

Predictable RES implementation plan

- Whether Tender or Independent Development:
 - Bankable Project Documents & framework
 - Careful selection of site with EIA and Resources equally important
 - Independent development can ease the bottleneck
 - IPP developers can concentrate in MW deployment where the state can concentrate in transmission

Establishment of Tariffs for RES

Today in MENA the tariffs for RES appear difficult to accept

- Thorough understanding of the “real” costs on a mid and long term basis of carbon based electricity generation.
- Attribution of the carbon fuel subsidies to the real cost as well as the cost of their environmental impact
- On a par basis is around the corner if not yet here!
- More mature markets for RES can serve as an example
- The numbers are there!! The assumptions need to be well thought out

Thank you for your attention