

**Note on Egypt's Feed-in Tariffs for
Renewable Energy Projects**



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1. Purpose and Reservations

This note provides an overview of Egypt's Feed-in Tariffs for renewable energy projects as set by prime minister decree no. 1947 of 2014 issued on 27 October 2014 (the "**Feed-in Decree**").

This note does not constitute a legal advice and may not be relied upon as such.

2. General Background

- a. Currently, the Electricity sector in Egypt is divided into three major subsectors namely:
 - i. Generation: which involves generating electricity from its various sources for sale to other parties;
 - ii. Transmission: which involves high voltage (i.e. 33 KV or more) transmission of electricity over the transmission grid; and
 - iii. Distribution: which involves distribution of electricity at distribution voltage (i.e. below 33 KV) to either direct consumers or other parties.
- b. The generation and distribution subsectors are run by both state-owned companies and private sector companies all under the supervision of the Egyptian Electric Utility and Consumer Protection Regulatory Agency ("**ERA**"). On the other hand, the Egyptian Electricity Transmission Company ("**EETC**"), which is a state-owned company, monopolizes the transmission subsector as well as the national power grid.
- c. As for the generation sector, state-owned companies are under the authority of Egyptian Electricity Holding Company ("**EEHC**"), while private sector projects are either BOT and BOOT projects with the government or independent power projects ("**IPPs**").
- d. In general, generation companies are under strict licensing and operational supervision by the ERA.
- e. The New and Renewable Energy Authority ("**NREA**") is a public authority under the supervision of the Ministry of Electricity. The NREA was established in 1986 by virtue of law no. 102 of 1986 (the "**NREA Law**").

The NREA Law allows NREA to implement, operate and maintain new and renewable energy projects, and to sell power generated from these projects to others. NREA is also empowered to delegate the implementation, operation and maintenance of such projects to investors.

3. Feed-in Tariffs

Prime Minister Ibrahim Mehleb issued the Feed-in Decree setting out the feed-in tariffs for power produced from renewable sources when purchased by EETC or distribution companies. Minister of Electricity Mohamed Shaker had announced these tariffs at a press conference. These new feed-in tariffs would allow the government to guarantee a certain price for energy produced to encourage investment in the renewable energy sector, said Shaker.

According to article 1 of the Feed-in Decree, the feed-in tariffs shall be subject to revision after two years of their issuance, or upon reaching the maximum targeted production capacities indicated below, whichever is earlier. The revised tariffs shall only apply to new contracts.

The tariff shall be contractually fixed for 25 years for solar projects and for 20 years for wind projects.

According to the Feed-in Decree, tariffs will depend on the type of energy source (solar or wind) and production categories, as explained below.

a. The tariffs for electricity produced from solar energy plants are as follows:

- 1- Households: EGP 0.848 for each kilowatt (kW) per hour
- 2- Commercial producers of under 200 kW: EGP 0.901 for each kilowatt (kW) per hour
- 3- Commercial producers of 200 – 500 kW: EGP 0.973 for each kilowatt (kW) per hour
- 4- Commercial producers of 500 KW – 20 Megawatts (MW): 13.6 cents per kilowatt per hour
- 5- Commercial producers of 20 – 50 MW: 14.34 cents per kilowatt per hour

The government did not announce a tariff for projects producing over 50 MW.

Tariffs for production capacities above 500KW will be paid in domestic currency according to the following exchange rate formula:

Tariff in EGP = (15% of USD-denominated tariff x 7.15 EGP¹) + (85% of USD-denominated tariff x Prevailing exchange rate at the date of the relevant invoice).

The maximum targeted production capacities for electricity produced from solar energy plants which will trigger the revision of the tariff shall be:

- a. 300MW from projects with production capacities below 500KW, and
- b. 2000MW from projects with productions capacities between 500KW and 50MW

b. The tariffs for electricity produced from wind energy farms are as follows:

Number of Operating Hours	Tariff During the First Period (Cents/kWh)	Tariff During the Second Period (Cents/kWh)
2500	11.48	11.48
2600		10.56
2700		9.71
2800		8.93
2900		8.19
3000		7.51
3100		9.57
3200	8.33	
3300	7.76	
3400	7.23	
3500	6.73	
3600	6.26	
3700	5.81	
3800	5.39	
3900	4.98	
4000	4.60	

¹ This is the current exchange rate.

The above tariff shall be contractually fixed for 20 years. These twenty years are divided into a First Period and Second Period. Tariffs will be paid in domestic currency according to the following exchange rate formula:

Tariff in EGP = (30% of USD-denominated tariff x 7.15 EGP²) + (70% of USD-denominated tariff x Prevailing exchange rate at the date of the relevant invoice)

The maximum targeted production capacities for electricity produced from wind energy farms which will trigger the revision of the tariff shall be 2000MW.

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² This is the current exchange rate.