



ALGERIA MOVING TOWARDS INVESTING IN RENEWABLE ENERGIES – A STUDY FROM A LEGAL AND ECONOMIC PERSPECTIVE

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ABSTRACT

Over the past few years, Algeria has mainly focused on investing in renewable energies. For the purpose of promoting and encouraging this type of investment, the Algerian authorities decreed a set of legal and regulatory texts in order to efficiently regulate the investment process in renewable energies. They also opened the door to new partners in the private sector and provided all the necessary incentives and motivators for that.

The present study aims to peruse the legal and regulatory framework that Algeria has seriously promoted in view of encouraging investment in the field of renewable energies. The results of that study were then assessed by addressing the investment strategies and models that were applied in some Wilayas (Provinces) in the southern region of the country.

INTRODUCTION

It is widely acknowledged that the energy sector is a strategic domain that plays a significant developmental role in every country. In addition, achieving economic and social development is predominantly linked to the availability of appropriate energy sources. It is also noteworthy that the consumption of energy has significantly increased due to various developments in all fields¹.

It is worth emphasising that energy in general, and renewable energies in particular, represent a promising alternative to conventional energies. They indeed constitute the principal engine of economic growth for most countries and major companies; they also represent an absolute priority for sustainable development².

Furthermore, in view of the depletion of conventional fossil energies, Algeria has sought to encourage investment in renewable energies that are not harmful to the environment. This was undertaken especially because its economy has known some hesitation in recent years due to the impact of high international prices on the main energy source, i.e. oil, which is considered the source of national income for Algeria³.

For this, the country decided to give up its reference function in monopolising economic activities. Then, the features of the new state were clarified by opening national markets to competition and by providing new channels for the intervention of private operators in vital activities of strategic importance that were for a long time the monopoly of the state.

It is also important to note that the Algerian state has also made it one of its main priorities to preserve natural capital and alleviate the impacts of the energy system on the environment and its dire consequences⁴.

Moreover, in order to perpetuate this strategy, the state had to enact legal texts to frame this plan of action.

The problem of this study lies in knowing and developing the legal and institutional mechanisms that were established by the legislator in order to frame the investment in renewable energies and promote them within the framework of sustainable development. It also tries to discuss the outcomes of this investigation.

In addition, this paper is intended to identify the legal and institutional mechanisms that control and regulate the investment requirements in renewable energies while addressing one of the economic models that have been established since the issuance of the legal arsenal that regulates this action program.

This study was essentially based on descriptive and analytical approaches in order to describe the concepts and analyse the legal texts in this respect.

FIRST: Legal mechanisms to promote investment in renewable energies

As a result of the drop in oil prices, which adversely impacted the country's hard currency income, Algeria decided to bet on establishing and developing a national industry for renewable energies and making this industry a prominent source for achieving sustainable development. It also tried to define legal and regulatory frameworks to encourage national or foreign investment in this domain. At the same, the government insisted on protecting the environment from pollution that has been partly degraded due to the use of fossil energies.

It is important to mention that the first step to do so consisted of completing an agreement with Belgium on April 08, 1982, for the development of renewable energies. Algeria ratified this agreement in 1983 under Decree 131-83⁵.

1 Boufeniche Wassila: The Role of Energy in Activating the Dimensions of Sustainable Development in Algeria during the period from 1990-2016 – Algerian Journal of Social and Human Sciences, Volume 6, Number 2, 2018, p.17.

2 Safia Auld Rabih Akloubi, Mohamed Akloubi: The Legal and Institutional Framework for Renewable Energy in Algeria – Sawt al-Qanun Magazine, Volume 08, Issue 02, year 2022, p.1387.

3 Tarek Makhoul: The Legal System for the Promotion of Renewable Energies in the Algerian Legislation – Algerian Journal for Security and Development, Volume 09, Issue 16, January 2022, p.153.

4 Belkhiri Mourad: Mechanism for Proving the Source of

Renewable Energy in the Algerian Legislation – Journal of Real Estate Law, Volume 5, Number 1, 2018, p.112.

5 Decree 83-131 of February 19, 1983, including the ratification of the agreement concluded between the Government of the People's Democratic Republic of Algeria and the Government of the Kingdom of Belgium in the field of developing new and renewable energies – Official Gazette 08, issued

Likewise, Algeria started enacting other legal texts, starting with Law No. 98-11, which includes the guiding law and the five-year program on scientific research and technological development⁶. This was the first law that actually reflected the legislator's vision of interest in renewable energies.

Afterwards, this first law was followed by Decree 99-09, which is related to energy control,⁷ and by Ordinance 02-01, which concerns electricity and gas distribution through channels⁸. This is viewed as the first legislative framework dealing with the marketing of electric energy generated from renewable sources and with the promotion of using renewable energy. It also allowed the private sector to exploit this type of energy. This ordinance also permitted the self-production of renewable energies.

Algeria has also adopted supportive policies in conducting competitive bidding processes in order to develop major renewable energy projects for the private sector. This would guarantee the purchase of energy produced from renewable resources.

Similarly, Law 04-09, which was issued in 2004, was quite special as it was related to the promotion of renewable energies within the framework of sustainable development⁹.

Then, the legislator stipulated within the core of Article 04 that the items given below enter within the framework of renewable energies:

- All kinds of electrical, thermal, or gas energies that are obtained from the conversion of solar radiation, wind power, geothermal heat, organic waste, water energies, and biomass utilisation techniques;

- All means that contribute to significantly saving energy by resorting to bio-climatic engineering techniques in the construction field.

The legislator subjected the conversion of renewable energies to the provisions of Law 04-09, which include:

- *Solar energy*, which includes photoelectric conversion, thermal and kinetic conversion;
- *Biomass energy* which includes “wet” anaerobic conversion processes by means of alcoholic methanogenic fermentation, dry denaturation, carbonisation, and gasification processes;
- *Wind energy* which includes mechanical conversion and electromechanical conversion;
- *Geothermal energy*, which includes recovery in thermal form.

Furthermore, within the framework of enacting mechanisms for promoting renewable energies, the legislator required the issuance of an original certificate that proves the origin of renewable energy.

Here, the legislator referred to the organisation and regulation for which Executive Decree 15-69 was issued and was amended by Decree 17-167,¹⁰ which specifies the precepts for that matter.

The renewable energy guarantee of origin certificate is that document that establishes that a specific energy source comes from renewable energy or from a joint production system that is granted by the Electricity and Gas Control Committee to the person that applies for a certificate that confirms the origin of renewable energy¹¹.

This certificate may be obtained by submitting to the Electricity and Gas Control Commission an application form that is signed by the applicant. This form is then attached to a set of other documents that are stipulated by the Algerian legislature in the same decree. Accordingly, the above

on February 22, 1983.

6 Law 98-11, including the Directive Law and the Five-Year Program on Scientific Research and Technological Development – Official Gazette 62, issued on August 25, 1998, amended by Law 05-08 of February 23, 1998 – Official Gazette 10, issued on February 27, 2008, abolished by Law 12-15 of December 30, 2015, including the Directive Law on Scientific Research and Technological Development – Official Gazette 71, issued on December 30, 2015.

7 Law 09-99 of July 28, 1999, regarding energy control – Official Gazette 51, issued on August 02, 1999.

8 Law 01-02 of February 5, 2002, regarding electricity and gas distribution through channels – Official Gazette 08, issued on February 6, 2002.

9 Law 04-09 of August 14, 2004, regarding the Promotion of Renewable Energies within the framework of Sustainable Development – Official Gazette 52, issued on August 18, 2004.

10 Executive Decree 15-69 of February 11, 2015, specifying the Modalities for Proving the Renewable energy guarantee of origin certificate and the use of these certificates – Official Gazette 09, issued on February 18, 2015, amended and supplemented by the Executive Decree 169-17 of May 22, 2017 – Official Gazette 31, issued on May 28, 2017.

11 Articles 02 and 03 of Executive Decree 15-69, amending and supplementing the aforementioned.

commission carries out a preliminary study of that application within ten days starting from its filing date. If the committee finds out that the attached file does not comply with the effective regulations, then the owner will be notified so he can eventually complete it. However, if the file is confirmed, the committee shall issue an acknowledgement of receipt and decide on the application within a period of time not exceeding one month.

It then emits a decision either to accept the application on the basis of which a certificate proving the origin of the energy is delivered or to reject it with justification¹².

In the context of promoting renewable energies, the legislator provided incentive measures by granting the applicant financial, tax, and customs privileges for activities that contribute to enhancing energy efficiency and promoting renewable energies.

Moreover, project owners may also benefit from the privileges stipulated in the Investment Law due to the fact that investing in renewable energies helps to benefit from the incentive system for priority sectors¹³.

SECOND: Institutional mechanisms to promote investment in renewable energies

It is worth indicating that Algeria has endeavoured to establish a set of infrastructures within the framework of the institutional dedication to promoting renewable energies. Some of these are:

1-The National Observatory for the Promotion of Renewable Energies

It was established under Article 17 of the aforementioned Law 09-04. It is considered a national agency that undertakes and is responsible for the promotion and development of renewable energies.

12 Article 05 of Executive Decree 15-69, amending and supplementing the aforementioned.

13 Executive Decree 22-302 of September 08, 2022, defining the criteria for qualifying structured investments and modalities for benefiting from exploitation advantages and evaluation networks – Official Gazette 43, issued on September 18, 2022

2-The National Fund for Renewable Energies and Cogeneration

It was established in accordance with Article 63 of Law 09-09, which includes the Finance Law for the year 2010¹⁴. This article states that: “A *Special Allocation Account number 131-302 is opened in the Treasury Writings, and is entitled the National Fund for Renewable Energies; it is registered in this account.*”

Executive Decree 11-423 defines the modalities for managing the Special Allocation Account 131-302 that is linked to the Fund.

The Fund is expected to finance projects and grant interest-free loans from banks and financial institutions without guarantees. It also endeavours to reduce customs rights and value-added fees when importing raw materials and semi-finished products that are supposed to be used in the equipment industry in the field of renewable energies in Algeria.

3-Department of Renewable Energies and Energy Efficiency

It was created in 2019 by virtue of Executive Decree 19-280¹⁵. This is a public corporation in the field of energy that is endowed with legal personality and financial independence. It is under the tutelage of the Prime Minister and is administered by a governor who is appointed by Presidential Decree. Moreover, it ensures that the national strategy for the development of renewable energies and energy efficiency is adequately implemented.

This agency is also responsible for following up on all related technical and economic developments, particularly with the intention of informing and enlightening government institutions on issues related to their activities. It also seeks to identify and assess all scientific and technical information that is linked to their activity. It is accountable for the processing, exploitation, preservation, valorisation, and dissemination of this information. It is expected to identify and evaluate the capacities of renewable energy resources that are available and

14 Law 09-09 of December 30, 2009, including the Finance Law for the year 2010 – Official Gazette 78, issued on December 31, 2009

15 Executive Decree 19-280 of October 20, 2019, for the creation of a Department for Renewable Energies and Energy Efficiency, with its Organization and Functioning – Official Gazette 65, issued on October 24, 2019.

can economically be exploited in various regions of the country.

4 – Ministry of Energy Transition and Renewable Energies

The Ministry of Energy Transition and Renewable Energies was established in the year 2020. Its primary mission is to ensure the implementation of the renewable energies program that was set up by the government in a rapid and more dynamic way, especially now that fuel dependence has become impracticable, considering the significant drop in oil prices. For this reason, Algeria deems it necessary to search for alternative energy sources in order to secure domestic demand and liberate it from the reliance on hydrocarbons, and therefore embody the energy transition that depends on energy efficiency in a way that satisfies the consumer needs and guarantees the protection of the environment.

Third: Renewable energies are an economical alternative in Algeria – Some southern Wilayas (Provinces) as a model

The solar power plant in Al-Khanj in the Sahara desert, in the region of Laghouat (southern Algeria), is composed of 240 000 solar panels with a capacity of 60 megawatts. The energy produced there covers one-seventh of the energy needs of the region.

This project, which was completed in 2016, is a prototype and is part of the country's metamorphosis. Its main objective is to conserve fossil fuel resources and reduce greenhouse gas emissions¹⁶.

In the same context, the Wilaya of Adrar has supported several renewable energy projects. The purpose of these projects is to search for and develop new sources of energy that can generate electricity for the benefit of the population and can also raise the exploitation rate in order to eliminate the problem of summer power outages when the demand for electricity is significantly increased.

Moreover, the local authorities, as well as the research and development supervisors, launched important projects regarding the way wind and solar energy can be exploited efficiently throughout

the whole year in the Wilaya of Adrar. It is worth specifying that this Wilaya has been strengthened with three new power generation stations with a total of 33 megawatts. The largest station to generate electricity from solar energy has a capacity of 20 megawatts. It is located at the northern entrance to the town of Adrar. This station was realised by a Chinese company with a total cost of around 380 million Algerian Dinars.

The second station, which is located in Ksar Kabartene in the municipality of Tsabit, about 60 km from Adrar, produces electricity from solar energy. Its production capacity is estimated at 3 megawatts and contributes greatly to preserving the environment.

Another 10-megawatt wind power plant has also been completed in partnership between Algeria and France. This station currently has 12 wind columns as a first stage. After a deep study, it was decided to install this station in an area that is windy throughout the year¹⁷.

The existing projects and those scheduled for the future are a clear indication that the Wilaya of Adrar is undergoing a real metamorphosis to become a leading energy producer in the medium term. This gives it the possibility to integrate into the course of developing energy sources in Algeria and will certainly contribute to local and national development in general.

CONCLUSION

This study allowed drawing the following conclusions:

- Algeria is seriously focusing its attention on renewable energies and is encouraging investment in this domain as an alternative to fossil energies;
- Investing in renewable energies contributes to achieving economic gains, improving social conditions, and preserving the environmental heritage. It also helps to reduce the depletion rate of energy resources;
- Algeria has established institutional bodies that structure the investment process in renewable energies. A special ministry was

16 <https://www.euronews.com/2022/10/03/algerias-renewable-energy-potential-solar-power-is-the-way-to-go>

17 Research unit in renewable energies in the desert: <https://urerms.cder.dz/>

created for that, which reflects its perpetual intention to promote and develop this sector.

Based on the above, one can therefore make the following recommendations:

- Provide real estate for renewable energy projects that require large areas;
- Update the legal texts to allow using solar energy in private and public buildings;
- Pay attention to material and moral support in order to activate and encourage research in the field of renewable energies;
- Intensify foreign cooperation and partnership in renewable energy investments;
- Disseminate the renewable energy culture among citizens by organising awareness days;
- Develop a strategy for the development of renewable energies and create adequate financing mechanisms to support and encourage clean energy within the energy mix that is adopted and certified in the development process.

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