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Algeria steps up efforts to attract foreign investment and push energy transition

Algeria is seeking to attract investment to develop high value-added sectors, promote technology transfer, increase export volumes and strengthen the competitiveness of the national economy, and is betting on the renewable energy sector.

The country, which is looking to accelerate its path to energy diversification, has just hosted the 12th edition of the International Exhibition for Renewable Energy, Clean Energy and Sustainable Development "ERA," which brought together leading national and international players in the sector for three days (Oran, Oct. 24-26, 2022).

The goal is ambitious (to reach an installed capacity of 4 GW by 2024 and 22 GW by 2030, 62% of which will come from solar and 23% from wind), and the Algerian government is moving to create an institutional and legal framework capable of encouraging the private investment – even and especially foreign investment – required to achieve it.

On the institutional side, the new Ministry of Environment and Renewable Energy was established in September, with regulatory functions in the sector, and government agencies and state-owned project companies have been set up to support the government's energy program (among them, the High Commission for Renewable Energy and Energy Transition, with responsibilities for public policy evaluation in the field of renewables, and the state-owned Algerian Renewable Energy Company "SHAEMS," which will manage tenders and invest in projects).

At an operational level, a 1,000 MW solar energy project tender, the first of its kind in Algeria, was published in December 2021. The so-called "Solar Project," which is currently underway, allows investors to bid for lots where solar photovoltaic plants with a capacity between 50 MW and 300 MW will be built. These plants will be developed through the establishment of project companies in partnership with the Algerian Renewable Energy Company, which will be able to hold up to 34% of the share capital, leaving the majority share to private investors.

With respect to the legal sphere, a strongly incentivizing legal framework for foreign investment is forthcoming.

The country's 2020 finance law excluded the renewable energy sector from the "49/51" rule, which places a 49% limit on foreign ownership of Algerian companies.

In July this year, meanwhile the new investment law was enacted, which considers different types of investments (greenfield, extension/restructuring of existing investments, relocation of activities from abroad) and includes renewable energy in a list of sectors that are considered priorities and for this reason recipients of specific incentives (Law No. 22-18 of July 24, 2022).

Eight implementing regulations were published in the Official Journal on September 18, 2022. The new legislation offers new features such as: (i) the definition of a minimum threshold for the application of the so-called transfer guarantee (*i.e.*, the right to transfer in foreign currency the invested capital, as well as dividends and other investment income), calculated according to the share of foreign funding borne by investors in the total cost of the investment and set at 25% of the invested capital; (ii) the creation of an electronic platform to guide and support investors; (iii) the opening of a one-stop shop with national jurisdiction dedicated to foreign investment and major projects, capable of acting as the investor's sole interlocutor; (iv) the establishment of a High Commission responsible for ruling on the appeals lodged by investors who believe they have been

disadvantaged by Law 22-18; (v) the possibility for projects that create at least 500 jobs and are worth at least Algerian dinars 10 billion (equivalent to about Euro 75 million) to benefit from the specific favorable regime for “structuring investments”.

Complementing the new legislative framework related to clean energy investment, the enactment of a new renewable energy law was recently announced and is expected to enter into force by the end of the year.

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