Overview of the Tunisian “Energy Transition Fund” and presentation of its RE incentives

Rafik Missaoui, Senior Sustainable Energy Expert, Alcor
Plan

- Energy Transition Policy in Tunisia
- Public incentives instruments to RE in Tunisia
- Conclusion
Tunisian Nationally Determined Contribution: Low carbon development

- 41% of decrease of carbon intensity by 2030 compared to 2010
- EE and RE represent more than 70% of the target
Energy Transition Strategy
RE: the Tunisian Solar Plan

A large spectrum of investors targeted by the TSP

- Households investing in PV rooftops: **Net metering scheme**
- Companies investing in RE for self-consumption to improve their competitiveness: **Self-production regime**
- Citizens, cooperatives and local small investors wishing to invest in small projects for independent production: **Fast track Licensing regime, based on call for project** (projects of less than 1 MW for PV and 5 MW for wind)
- National and international investors interested in medium and large scale projects for independent production: **Licensing regime for large seize, based on call for project**
- Large investors: **RE concession scheme**
- Utility investing in RE projects: **Public investment**
Incentive Public Instruments to RE in Tunisia

- **Taxes incentives**
  - VAT exemptions of RE and ER devices
  - Customs duties exemptions of RE and ER devices

- **Energy Transition Fund**
  - Created in 2005
  - **Reformed in 2017**
  - Managed by the National Energy Conservation Agency
  - Supporting financially EE and RE projects

- **Tunisian Investment Fund**
  - Created in 2016 to push investment in general
  - In the framework of the Tunisian Investment Code
  - Managed by the Tunisian Investment Authority under Ministry of Finance
Incentive Public Instruments to RE in Tunisia

The Energy Transition Fund

What finances FTE?

- Subsidy to energy audit (70%)
- Subsidy to EE projects (20%)
- Cogeneration (20%)
- Subsidy to gas switch
- Investment subsidy to SWH (~ 35 €/m²) within Prosol mechanism that includes loan paid through the electricity bill
- Investment subsidy to PV rooftop (~ 30%) within Prosol Elec mechanism that includes loan paid through the electricity bill
- RE self generation project (20% with ceiling amount)
Incentive Public Instruments to RE in Tunisia
The Energy Transition Fund

Cumulated resources and expenditures from 2005 to 2016

Resources = 100 M€
- Taxes on car registration: 71%
- Taxes on air conditioners: 19%
- Taxes on Incand. lamps: 5%
- Others: 5%

Expenditures = 70 M€
- EE: 9%
- RE: 41%
- Energy substitution: 50%
Incentive Public Instruments to RE in Tunisia
The Energy Transition Fund

Cumulated Impact 2005-2016

**Impacts of FTE**
- Mobilized private investments: 450 M€
- Leverage Effect: 4.5 times
- Cumulated energy saving: around 2,7 Mtoe
- Cumulated avoided CO2: around 6.3 MtCO2

**The FTE is profitable for State and the Collectivity**
- Leverage for the State: 3 times
- Leverage for the Nation: 9 times
## Incentive Public Instruments to RE in Tunisia

### The Energy Transition Fund

**Reform of the FTE since July 2017**

- Enlargement of eligibility: More EE and RE measures
- Diversification of mode of intervention: subsidy, loan in cooperation with banks and Equity in cooperation with investment funds

<table>
<thead>
<tr>
<th>Instruments</th>
<th>Rational</th>
</tr>
</thead>
</table>
| **Subsidy** | ▪ Cost-effective measures for the State, but not enough profitable for consumers: sharing benefits between the State and the consumer to establish a win-win situation  
▪ Mature technology with high potential in Tunisia, but still imperfect market |
| **Loan**    | ▪ Population with difficulties to access to loan  
▪ New technologies for which banks are still reluctant due to lack of knowledge and difficulties of risk assessment |
| **Equity**  | ▪ Target population with low equity capacity but with strong skills  
▪ Capital intensive projects for small investors  
▪ Projects established as SPV |
Incentive Public Instruments to RE in Tunisia

The Tunisian Investment Fund

Investment support

- Subsidy of 15% with ceiling of 0.35 M€ per project for RE as one of 20 priority sectors
- Subsidy related to regional development encouragement
  - 15% with ceiling of 0.5 M€ for zone as category 1
  - 30% with ceiling of 1 M€ for zone as category 2
- Subsidies for RE can be cumulated up to 1/3 of the project cost
- Equity contribution for small projects in development zones

Taxes incentives

- Taxes revenue exemption for 10 years
- Social security fees payment exemption for 5 years
## Incentive Public Instruments to RE in Tunisia

### Complementarity between public support instruments

<table>
<thead>
<tr>
<th>Measures</th>
<th>Tunisian Investment Fund</th>
<th>Tunisian Energy Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE projects</td>
<td></td>
<td>Subsidy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loan</td>
</tr>
<tr>
<td>PV rooftops</td>
<td></td>
<td>Subsidy</td>
</tr>
<tr>
<td>Solar Water Heaters</td>
<td></td>
<td>Subsidy</td>
</tr>
<tr>
<td>RE - IPP</td>
<td>Subsidy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td></td>
</tr>
<tr>
<td>RE - self generation</td>
<td></td>
<td>Subsidy</td>
</tr>
<tr>
<td></td>
<td>Loan</td>
<td></td>
</tr>
<tr>
<td>Soft investments</td>
<td>Subsidy</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subsidy</td>
</tr>
</tbody>
</table>
Conclusion

- Conventional financing will stay the main source of RE financing, but there is a need for:
  - Improving governance of RE sector
  - Mobilizing national and international investors
  - Derisking the investment for RE projects through specific mechanisms for each category
- Public support is still needed for some type of RE projects in order to solve market imperfections
- Need for better targeting the various investor segments through specific public supporting mechanisms taking in account their specific constraints
- Public support should be established according to Win Win approach between State, Nation and investors
Merci