

October 28, 2011

## **Approval by mail: Morocco: Revised CTF Investment Plan**

Dear Mafalda,

pls find attached comments for the ONE Wind Energy Plan for Morocco. We are prepared to support this proposal, but would feel more comfortable if it was possible to answer our questions before we submit our comments officially.

I'm sorry we are already quite close to the deadline and that we missed your offer to discuss this with you during the last days, but you might possibly find that the answers to our questions are not extremely time consuming, possibly with the exception of the question whether the approach is technically incomplete.

You will also find our comments for the up dated IP. Here we still have some minor (and in some cases similar to the project proposal) questions, that we would be grateful if you could answer as well, before we give our positive vote..

We might also discuss this over the phone, I'm in office until quite late.

All the best

Dr. Annette Windmeisser

Klimapolitik und Klimafinanzierung

Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung

### **CTF Investment Plan Morocco Update Note**

Financial Volume: Total Investment: 2,166 Mio. USD, thereof:

- **CTF : 150 Mio. USD**
- Public Funding: 162 Mio USD
- Private Investor: 210 Mio. USD
- Commercial Banks: 1017 Mio. USD
- Multilateral Donors: 627 Mio. USD

Component: Supporting the National Utility (ONE)'s Wind Energy Plan

**Commentary:**

In October 2009, the Trust Fund Committee approved the Morocco CTF Investment Plan and agreed to allocate up to US\$ 150 million to support Morocco's *Fond de Développement de l'Énergie* (FDE) in allocating concessional funding for (i) electricity generation from renewable energy, (ii) energy conservation in the industrial sector, and (iii) energy conservation in the transport sector. In April 2011 Morocco proposed to focus on the first component (wind energy) given that the second and third component is not expected to be ready for submission to CTF in the near future.

We are not surprised at this change. In our comments to the 2009 Investment Plan we already pointed out that the CTF proposal was premature, as important operational, governance, institutional and administrative issues with regard to FDE are not yet defined. We also underlined that the presented components were too vague and that the specific eligibility criteria for individual projects financed under the CTF were unclear.

We therefore welcome the updated Investment Plan for Morocco. It is clearly focused on mobilizing the tremendous wind potential for wind energy in Morocco.

## **1. „Rationale for selected Sub Sectors”**

- Renewable Energy for CTF interventions is appropriately chosen with a strong focus on wind energy. Nevertheless, we would appreciate to receive more detailed information why such an important amount of highly concessional resources is needed to mitigate the costs and risks of the Wind Plan, as in certain cases the production of wind energy in Morocco could be competitive.
- The proposal mentions that transmission infrastructure within wind farms shall be financed with CTF funds. We would appreciate to receive more detailed information what exactly shall be financed and whether these investments are linked with the ongoing ONE electricity network programme (Renforcement du réseau de transport électrique).

## **2. „Potential for GHG Emission Savings”**

It is estimated that the programme will contribute to GHG reductions of 1.7 million t CO<sub>2</sub> per year. The updated IP will increase the annual emissions reduction by 0.5 million tons CO<sub>2</sub> per year, as the annual emission reduction through the original plan was about 1.2 million tons of CO<sub>2</sub>”.

### **3. „Replication potential”**

The CTF proposal intends to install 1070 MW of wind and hydropower. No figures have been presented to present the replication potential. The proposal outlines that CTF support will enable the creation of a wind market for the private sector. From our point of view this relationship could have been developed more in detail, as the private sector will be the main driver to realize Morocco’s total wind capacity, with 6 GW actually proven, and an estimated potential of up to 25 GW.

### **4. „Development Impact“**

The following impacts are expected according to the revised investment plan:

- reliable and secure supply of clean electricity to meet the fast growing electricity demand
- diversify energy supply, increase energy independence and reduce the vulnerability to future price shocks of fossil fuels
- reduce the carbon intensity of power generation substantially
- developing wind plan as a PPP will induce the private sector to increase their investment in goods and services, which will increase local industrial integration and job creation

We are interested to hear more about the approach to increase local content of the wind plan, as it is mentioned that the proposal will encourage local manufacturing of wind equipment and services.

### **5. „Implementation Process“**

No details regarding the “implementation potential/process” have been presented in the proposal. It would be helpful to get some details on this issue, in order to get a better understanding of the different stakeholders involved in the project (ONE, SIE, Hassan II fund, private sector, Ministry of Energy, IPP). Table 4 does not mention contribution from bilateral organisations to the Wind plan. German Financial Cooperation is also willing to contribute to the Wind Plan.

In view of the high number of donors involved in the wind plan (also the German financial cooperation), it will be important to establish an effective coordination mechanism during project preparation and implementation as several steps have to be harmonized.