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For more information,
contact:

Mehdi, Haroun
+33 1 73 00 39 84
mharoun@kslaw.com

Nora, Djeraba
+33 1 73 00 39 20
ndjeraba@kslaw.com

King & Spalding

Paris
12 Cours Albert 1er
Paris 75008
Tel: +33 1 7300 3900

Algeria Launches A Call For Tenders For The Long-Awaited “Solar 1,000 MW” Project

After several postponements since it was first announced back in 2020, Algeria finally launched a call for tenders for a 1GW solar project, the so-called “Solar 1,000 MW” Project, on December 23, 2021.

SCOPE

The Solar 1,000 MW Project, which is part of Algeria’s energy transition strategy, shall consist in the setting up of special purpose vehicles (“SPVs”) whose purpose will be to operate solar photovoltaic power plants (with an individual capacity of 50 to 300 MW), on several sites across the country¹ to achieve a total capacity of 1,000 MW.

At this stage, not much information has been disclosed. The official tender notice issued by the Algerian Ministry of Energy Transition and Renewable Energy (*Avis d’Appel d’Offres à Investisseurs n° 01/MTEER/2021*) only provides the following information concerning the implementation of the Solar 1,000 MW Project:

- The relevant plots on which the power production facilities will be installed will be made available to the SPVs by a state-owned entity dedicated to the development of renewable projects, named *Société Algérienne des Energies Renouvelables* or “SHAEMS”. SHAEMS is a newly created joint-venture company between Sonelgaz (the historical state-owned utility in charge of electricity and natural gas distribution in Algeria) and Sonatrach (the National Oil Company). Based on experience, the modalities governing the legal basis on which the relevant plots will be made available to the SPVs by SHAEMS will have to be considered carefully by the potential bidders, to avoid unpleasant legal surprises in the future.
- The SPVs will be in charge of the development, financing, design, supply of equipment, construction, operation and maintenance of the photovoltaic solar power plants, the grid connection and commercialization of the electricity.
- The investors shall partner with SHAEMS (either alone or in a consortium with other private or state-owned entities) in the relevant SPVs. The share in the participation will be detailed in the tender specifications.
- For the commercialization of the electricity produced, each SPV shall



enter into a 25-year power purchase agreement with the designated purchaser (which is likely to be an entity of the Sonelgaz group). The sale of electricity will be between two Algerian entities (the SPV and the off-taker), and will therefore be invoiced and paid up in Algeria and in Algerian dinars, pursuant to the Algerian foreign exchange regulations. The only way to repatriate profits generated from the sale of electricity will be through dividends. Based on our experience, the repatriation of dividends from Algeria by foreign investors has, over the past few years, and even more so recently with tension on available foreign currency, suffered substantial delays. However, this risk can be mitigated through certain contractual mechanisms. Investors should also consider maximizing their remuneration through an O&M contract. At this stage, the contractual framework of the solar projects has not been set out, but it is expected to be clarified in the tender specifications and bidding documentation. Ensuring a smooth transfer of revenues will be one of the challenges investors will have to carefully consider.

PARTICIPATION IN THE BIDDING PROCESS

The bidding process is open to any domestic or foreign company (alone or in consortium), subject to:

- leveraging the necessary financing for the project. In this respect, it is worth noting that after having precluded it for a certain time, Algerian law has recently allowed the recourse to external financing for foreign and mixed investments;
- having proven credentials in the development and setting-up of independent power plants projects (IPP projects, particularly from renewable sources);
- having the technical capabilities to perform all the services required for such a project.

The bidding documentation shall contain a local content requirement.

Each bidder can submit an offer on several plots up to a maximum capacity of 300 MW.

THE TENDER SPECIFICATIONS

The interested investors may seek the detailed tender specifications from SHAEMS, upon payment of a USD 1,000 fee².

CLARIFICATION MEETINGS AND SUBMISSION DEADLINE

Clarification meetings will be held before the submission deadline with the investors who applied for the tender specifications.

The bidders shall submit a technical offer and a financial offer by **April 30, 2022, 10 am (Algiers time)**.



Mehdi Haroun is a partner with King & Spalding based in the firm's Paris office. A dual French/Algerian qualified lawyer, he covers general corporate and commercial matters (mergers and acquisitions, disposals, joint ventures, restructurings), project development, finance and dispute resolution in his practice. His expertise lies principally in the energy and infrastructure sectors, with a geographic focus on North Africa. Mr Haroun is continually ranked by global directories among the top lawyers for legal advice in North Africa, including Algeria, Morocco, Tunisia and Libya.

He can be contacted at mharoun@kslaw.com or +33 1 73 00 39 84.



Nora Djeraba is a counsel with King & Spalding based in the firm's Paris office. She was educated/grew up in Algeria and holds dual French/Algerian nationality. She specialises in general corporate and commercial advice and assists clients in relation to their transactions and projects in North Africa, in particular in the oil and gas sector. Her work in this field has been regularly recognised by several legal directories, in particular for legal advice in Algeria, Tunisia and Morocco.

She can be contacted at ndjeraba@kslaw.com or +33 1 73 00 39 20.



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¹ At the end of November 2021, the Algerian Ministry of Energy Transition and Renewable Energies issued a press release setting out that 11 sites with a global surface of 4,500 hectares had been identified across several territorial collectivities ("wilayas") of the south of Algeria, such as El-Bayadh, Ouargla, El Oued, El M'Ghair, Ghardaïa and Bechar (<https://www.aps.dz/economie/131262-energies-renouvelables-11-sites-retenus-pour-la-realisation-du-projet-de-production-de-1-000-mw-solaires>)

² https://www.mteer.gov.dz/index.php/fr/index.php?option=com_content&view=article&id=426&catid=32&lang=fr-FR