



# Projects & Infrastructure

Power Guide:  
Algeria

ONE REGION  
ONE VISION  
ONE ALN

## Introduction

This Power Guide has been prepared by ADNA Algeria and provides an overview of Algeria's power sector. The aim of this guide is to provide useful information

to investors and stakeholders on legal aspects of the industry, such as applicable regulatory standards and tariffs.

## Governing Law



- The Algerian Constitution, 2020.
- **Statutes:**
  - Law No. 02-01 on Electricity and Distribution of Gas through Pipelines (as amended and completed) dated 5 February 2002.
  - Law No. 04-09 on Renewable Energy Promotion in the Framework of Sustainable Development dated 04 August 2004.
  - Law No. 19-13 on Hydrocarbon Activities dated 11 December 2019.
- **Other laws, regulations, and policies, including:**
  - Law No. 99-09 on Energy Management dated 28 July 1999.
  - Law No. 19-05 on Nuclear Activities dated 17 July 2019

## Institutional Framework

### The Ministry of Energy and Mines



Responsible for formulating energy policies, promoting energy sector development, and overseeing mining activities.

### The Ministry for Environment and Renewable Energy



Responsible for the implementation of national policies and strategies in the fields of the environment and renewable energy and promoting the development of a green economy.

### High Energy Board



Responsible for the development of energy models and regulations. The High Energy Board, additionally, ensures the monitoring, implementation and development of renewable energies and recovery of emission reductions.

### National Agency for the Valorization of Hydrocarbon Resources (ALNAFT)



ALNAFT is an independent authority in charge of evaluating the mining sector. It is responsible for awarding concessions, organizing tenders, monitoring contract performance, approval of development plans, contributing to the sector's policy and promotion of local content.

### Hydrocarbons Regulatory Authority (ARH)



ARH is an independent authority vested with the authority to ensure the protection of the environment and the health and safety of contractors in the industry as well as ensuring the safety of hydrocarbons installations.

### National Agency for the Promotion and Rationalization of Energy Use (APRUE)



APRUE's key role, in consultation with all relevant partners concerned, is to draw up and monitor the national energy management program (NEMP) & lead and promote energy management on a national scale.

### Electricity and Gas Regulatory Commission (CREG)

### Renewable Energy Development Center (CDER)



CREG is the independent regulatory authority for the electricity and gas sectors. It is responsible for licensing, tariff regulation, and market supervision.

**Office of the Commissioner for Renewable Energy and Energy Efficiency (CEREFE)**



CEREFE is responsible for contributing to the national and sectoral development of renewable energy and energy efficiency.

**National Company for the Exploration, Production, Transport, Processing and Marketing of Hydrocarbons (Sonatrach)**



Sonatrach is a state-owned company responsible for the prospecting, research and exploitation of hydrocarbons.




CDER is the national research center focused on renewable energy development, promotion of technology transfer, and the provision of expertise in renewable energy projects.

**National Electricity and Gas Company (Sonelgaz Group)**



Sonelgaz Group is a state-owned company responsible for electricity and gas production, transmission, and distribution in Algeria.





## Power Purchase Agreement (PPA) Between the Independent Power Producer (IPP) and the Off-taker (Sonelgaz)

- PPAs in Algeria are typically negotiated between the IPP and off-taker (the only distribution monopolist in Algeria is Sonelgaz or its subsidiaries).
- The CREG may issue a competitive bid for new facilities if it finds that an insufficient number of applications for authorization have been received.
- The electricity produced in Algeria is sold exclusively and entirely to Sonelgaz, or its subsidiaries, over a period determined in the PPA.
- The term of a PPA is usually long-term and can be up to 30 years.
- Payment terms and currency are specified in the PPA and are typically in Algerian Dinar (DZD).
- The PPA structure is negotiated between the parties.
- Take-or-pay provisions and capacity charges may be included in the PPA.
- The PPA may provide for adjustments in the event of changes in law or force majeure events.
- Dispute resolution mechanisms, such as arbitration, are usually included in the PPA.

## Local Shareholding and Local Content Requirement

- Algeria's local shareholding requirements are applicable where an Algerian company operates in (i) "strategic sectors" or (ii) imports for resale.
- The strategic sectors are related to (i) energy (ii) mining, (iii) pharmaceutical, (iv) military and (v) transportation/infrastructure industries.
- In these instances, the company must have one or more national shareholders residing in Algeria who must hold at least 51% of the share capital in the company (the 51/49 Rule).
- This local shareholding requirement does not, however, apply to the development of power projects.
- Algeria's local content requirements apply in the energy sector.

## Renewable Energy Feed-in Tariffs (FIT) Policy

- The FIT Policy is applicable to renewable energy projects, such as solar, wind, biomass, and hydropower.
- The FIT Policy in Algeria is governed by the Ministry of Energy and Mines.
- FIT rates and conditions are determined by regulatory decrees.
- The FIT Policy provides a fixed tariff for a specific duration, typically 20 years.
- The FIT Policy may include incentives and guarantees for renewable energy project developers.
- The Ministry periodically reviews and updates the FIT rates and conditions.

## Payment for Power Production

- The Law on Electricity and Distribution of Gas through Pipelines provides that remuneration for power production takes into account the following factors :
  - i. the price of electrical energy based on the supply-demand balance and resulting from processing by the market operator;
  - ii. the cost of the power guarantee provided to the system; and
  - iii. the cost of auxiliary services required to ensure quality of supply.
- Please note the regulations, implementing this provision, are yet to be published. Therefore, payment for power production is currently dependent on the terms of the PPA.

## Key Approvals/Licenses Required to be Procured.

- The exploitation authorization which is issued by the CREG.
- Any other permits or licenses required by local authorities.

## Governing Law and Dispute Resolution

- PPAs and other related agreements are generally governed by Algerian law.
- Disputes may be subject to Algerian courts, and local arbitration may be required.
- Algeria is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

## Power Sector Expertise

- Our firm represents the largest clients in their sector. We compete for assignments against certain international law firms for clients willing to give more and more responsibility to local firms having the expertise and the client service they require from an international law firm.
- Our firm focuses on advising and assisting sponsors and financial institutions on oil & gas, mining, power, water, electricity, renewable energy, rail, airports, ports, road projects and waste industries.
- Our team provides clients, such as global major oil & gas companies, mining companies and engineering with comprehensive legal services at every stage of the transaction or project, from the key structuring stages to the environmental, social and regulatory requirements.
- Being a strategic sector for Algeria, we are frequently instructed on issues of critical importance to our clients, which means that we focus on the most complex and highest-value transactions in the energy industry that require innovative thinking and highly creative, non-standardized advice.
- In addition, our broad experience in advising all market participants allows us to anticipate and, in particular, to understand issues and challenges that may arise during the course of a transaction and to find constructive solutions.
- Our sustained commitment to client service is reflected in our longstanding relationships as advisors to many of the world's leading companies.

## Key Contact

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## About ADNA

In June 2021, four well established African firms including Bourabiat Associés (Algeria), EMIRE Partners (Côte d'Ivoire), SD Avocats (Guinea), and BFR & Associés (Morocco), merged to create one fully integrated law firm called ADNA. ADNA is also a member of the award-winning Africa Legal Network (ALN), which provides a bridge between Anglophone and Francophone Africa. ALN has an expansive and growing coverage of jurisdictions in Africa.

ADNA is comprised of modern legal entrepreneurs that have created a strong independent and integrated law firm for Africa, spanning from North to West Africa, with a Pan African vision, wide international expertise, and an extended network.

Encompassing over 45 years of collective experience on the African continent, ADNA is eager to disrupt the status quo of the typical law firm to best serve its clients by being as ambitious as those it works with. Helping to navigate businesses and provide bespoke legal solutions.

The firm is founded on the notion of legacy. The legacy to become an institutional law firm and to help

grow and promote the next generation of African lawyers.

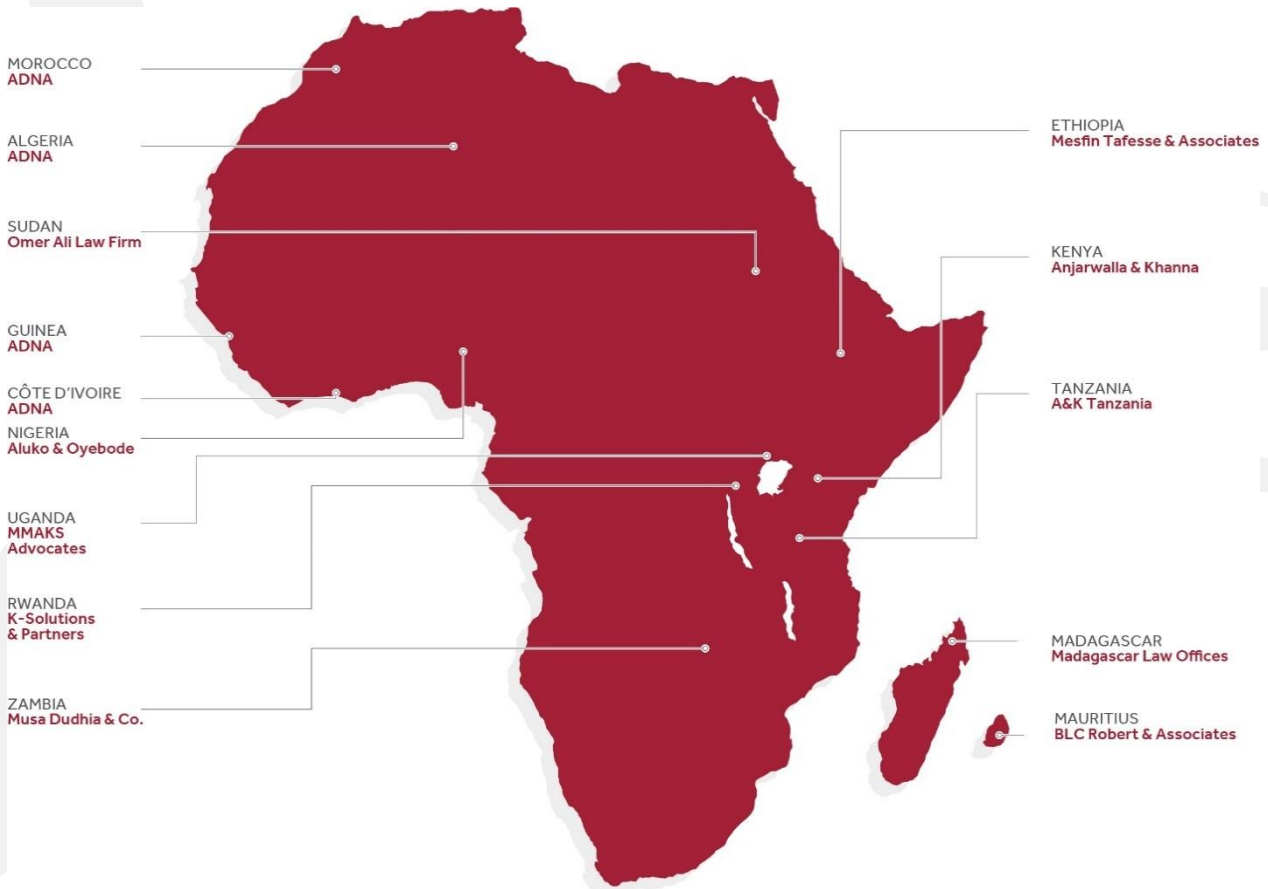
ADNA's experience extends beyond transactional work, we look after clients through every stage of the company's life cycle. We are at the forefront of developments in Africa and always strive to develop innovative structures to simplify the complexities inherent in deals in established and emerging markets on the continent. Our presence in Africa provides us with local depth combined with international insight and creative thinking.

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# About ALN



ALN is an integrated alliance of the preeminent full-service corporate law firms in 14 African countries: Algeria, Côte d’Ivoire, Ethiopia, Guinea, Kenya, Madagascar, Mauritius, Morocco, Nigeria, Rwanda, Sudan, Tanzania, Uganda and Zambia. ALN also has a regional office in Dubai, UAE, which serves as a gateway to the Gulf region and beyond.

## Vision

ALN seamlessly connects the African continent. It brings its global expertise, continental reach and deep local know-how to help its clients navigate the multitude of opportunities and risks in Africa, holistically combining legal, tax, regulatory and commercial advice.

## Mission

ALN is dedicated to its clients’ success. ALN achieves this by providing world class legal, tax and regulatory advice in a commercial context. ALN’s lawyers are aware of the trends and events shaping the continent, deeply networked and respected in their communities as thought leaders and opinion shapers. ALN’s lawyers have a Pan African mindset, are down to earth, pragmatic, responsive, innovative and relentlessly determined.







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