



Projects & Infrastructure

Power Guide:
Madagascar

ONE REGION
ONE VISION
ONE ALN

Introduction

This Power Guide has been prepared by ALN Madagascar | Madagascar Law Offices (**ALN Madagascar**) and provides an overview of Madagascar'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 Constitution of Madagascar, 2010

- **Primary Statute:**

- Law No. 2017-020 being the Electricity Code.

- **Policy**

- National Renewable Energy Development Plan.

Institutional Framework

The Electricity Regulatory Authority (ARELEC)



ARELEC is the regulatory authority responsible for ensuring the proper functioning and development of the electricity sector in Madagascar. Its functions include regulating tariffs and monitoring the performance of electricity operators.

Ministry of Energy and Hydrocarbons



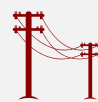
The Ministry is responsible for the development and implementation of energy policies, including the promotion of renewable energy sources and the regulation of the energy sector. It sets governmental policy and provides strategic coordination of the energy sector. Additionally, it has oversight over JIRAMA.

Office of Mines and Strategic Industries (OMNIS)



OMNIS is the government agency responsible for managing and regulating the strategic mining and hydrocarbon sectors in Madagascar.

Jiro Sy Rano Malagasy (JIRAMA)



JIRAMA is the vertically integrated state owned water and electricity utility company responsible for the generation, transmission, and distribution of electricity in Madagascar.

National Office of Environment (ONE)



ONE is the government agency charged with issuing environmental and social permits, required for all infrastructure projects in Madagascar.

Rural Electrification Agency (ADER)

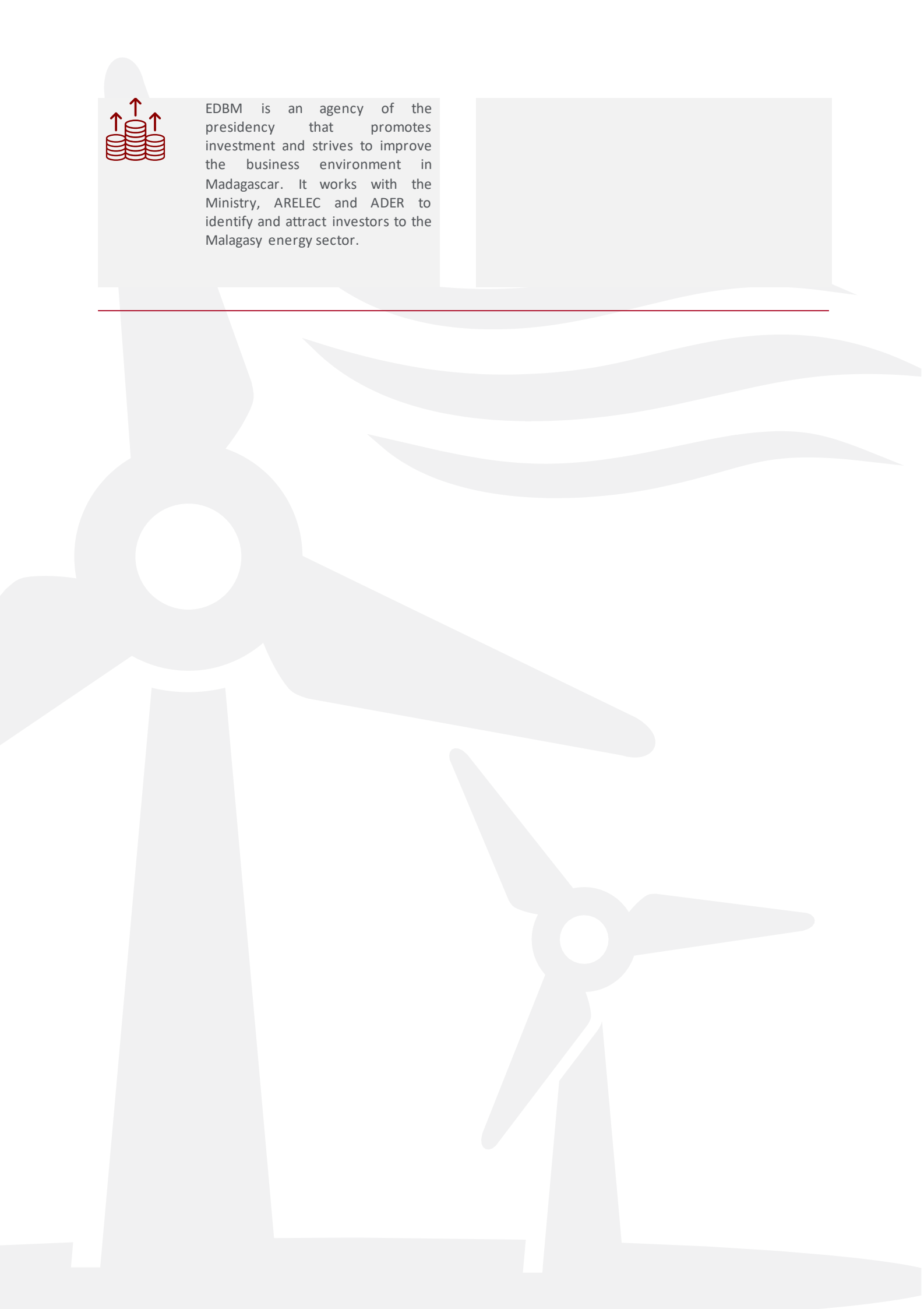



ADER is responsible for rural electrification through grid extension and/or off-grid and mini grid systems. It aims for electrification primarily by means of renewable energy sources (in order of priority: hydro, solar, biomass, winds, hybrids). ADER's tasks include site identification, tender management and quality oversight of concessionaires.

Economic Development Board of Madagascar (EDBM)



EDBM is an agency of the presidency that promotes investment and strives to improve the business environment in Madagascar. It works with the Ministry, ARELEC and ADER to identify and attract investors to the Malagasy energy sector.





Power Purchase Agreement (PPA) Between the Independent Power Producer (IPP) and the Off taker (JIRAMA)

- The operating term of a PPA is typically 20 - 25 years.
- Tariff structures are negotiated between the IPP and JIRAMA and may vary depending on the type of power generation technology and project size.
- Payment terms and currency are specified in the PPA and may vary between projects.
- Adjustments to the tariff may be possible in case of changes in law or force majeure events.
- PPA provisions may include liquidated damages for the failure to meet performance and availability thresholds.
- JIRAMA was responsible for approximately 50% of total generation on a concession basis as of February 2019.
- The other half of generation was covered by IPPs and captive plants selling excess to JIRAMA.
- IPPs supply power to JIRAMA under IPP and rental power arrangements.
- There are approximately 80 IPP and rental projects countrywide.

Local Shareholding and Local Content Requirement

- Madagascar's laws and regulations do not impose specific local shareholding requirements for power projects.

Feed-in Tariffs (FIT) Policy

- Madagascar has implemented a FIT policy to promote renewable energy sources, particularly solar, wind, and biomass. The specific tariffs and conditions are determined by the Ministry of

Energy and Hydrocarbons based on the National Renewable Energy Development Plan. The FIT policy provides incentives and standard terms for small-scale renewable energy projects.

Payment to Off-taker

- Payment terms and arrangements between the IPP and JIRAMA are negotiated in the PPA. The PPA may specify the payment schedule, currency,

and any penalties or liquidated damages for late payments.

Credit Enhancements

- Madagascar's government does not typically provide sovereign guarantees for power projects.

However, credit enhancements, such as partial risk guarantees or political risk insurance, may be

available through international financial institutions or specialized agencies.

Key Approvals/Licenses Required to be Procured.

- Electricity Generation Concession or Authorization issued by the Ministry of Energy and Hydrocarbons.
- Environmental Impact Assessment (EIA) approval issued by the National Environmental Office.
- Connection and grid access approvals from the Electricity Regulatory Authority.
- Relevant permits and authorizations for land use and construction from local authorities.

Governing Law and Dispute Resolution

PPAs and related agreements in Madagascar are generally governed by Malagasy law. Dispute resolution mechanisms, including arbitration, are typically specified in the PPA

Power Sector Experience



Acting with ALN Kenya for **Berkeley Energy (Berkeley)** as lead counsel in connection with its acquisition of stake of a portfolio of brownfield and green field power generating assets owned by Tozzi Green S.p.A in Madagascar including: the Sahanivotry and Maronaseta projects totalling 15MW; the 44MW Mahitsy project; the proposed Tsinjoarivo project; the 70MW Talaviana project; the 3.4MW Sahanivotry Dam project; the 1.1MW Sahanivotry Down project and a number of other early stage solar and hydro projects.



Advising a client in the oil & gas sector in connection with their acquisition of interest in a production sharing contract.



Advising on the landmark AfDB financing of the first private sector **led** hydropower project in Madagascar.



Representing equity investors and lenders in connection with multiple hydro and solar projects, both on and offgrid, including two important hydropower projects, Volobe, whose concession agreement was recently signed, and Sahofika.

Key Contact



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About the Firm

ALN Madagascar is a modern, multi-service law firm with extensive experience in financing large infrastructure projects and other corporate transactions. We advise on all matters affecting the day-to-day operations of businesses in Madagascar, and our team has the unique ability to draft, negotiate, understand and comment on documents in English and French, and to engage with Malagasy authorities and officials in Malagasy.

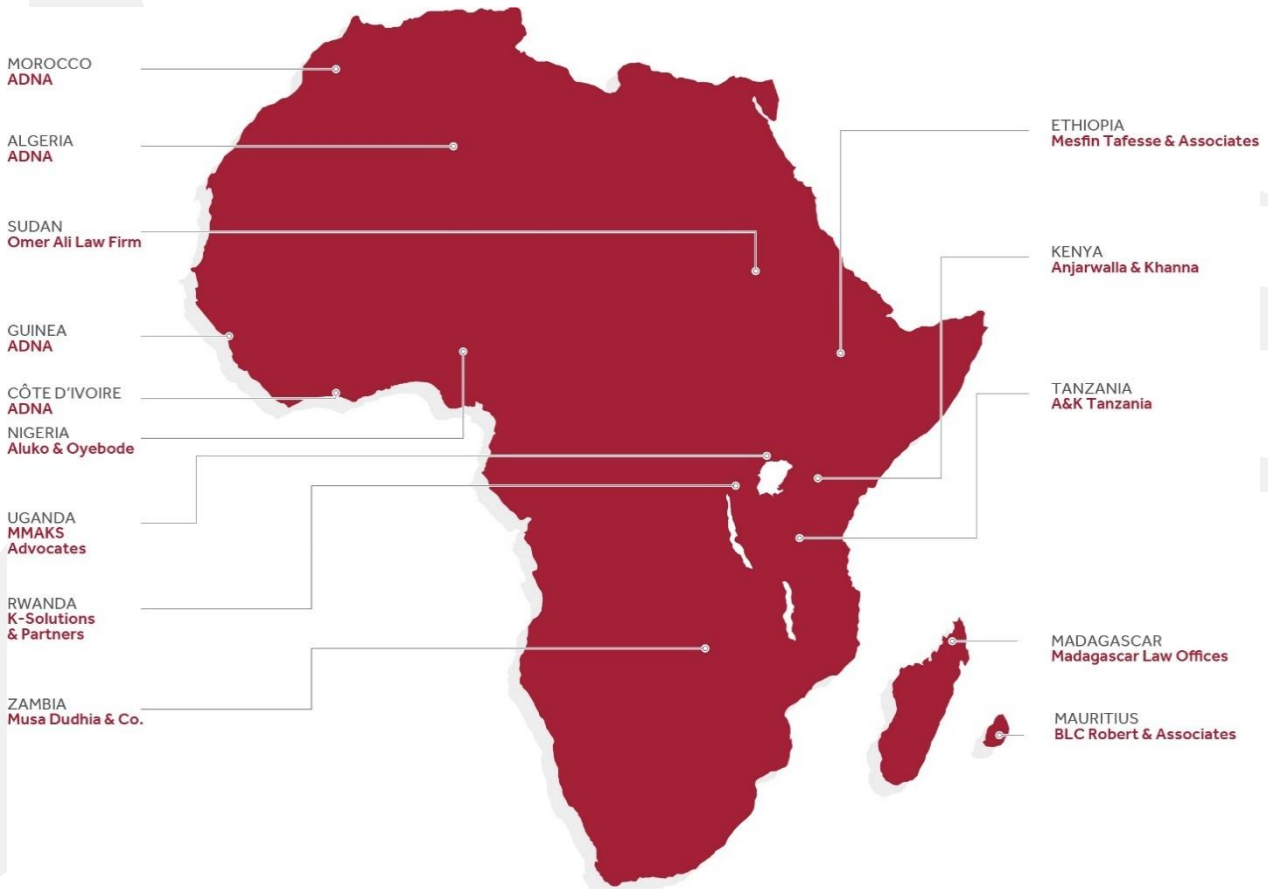
Our unrivalled expertise in cross-border transactions, including acquisitions and secured financing

transactions, has assisted national and international investors in doing business in Madagascar. We are ranked Band 1 in Madagascar by Chambers' Global, a guide of top lawyers and law firms.

As a member of ALN, an integrated alliance of the preeminent full-service corporate law firms in 14 African countries and the UAE, we extend our reach across the continent and beyond, and are able to offer unparalleled legal advice in key African investment destinations.



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.

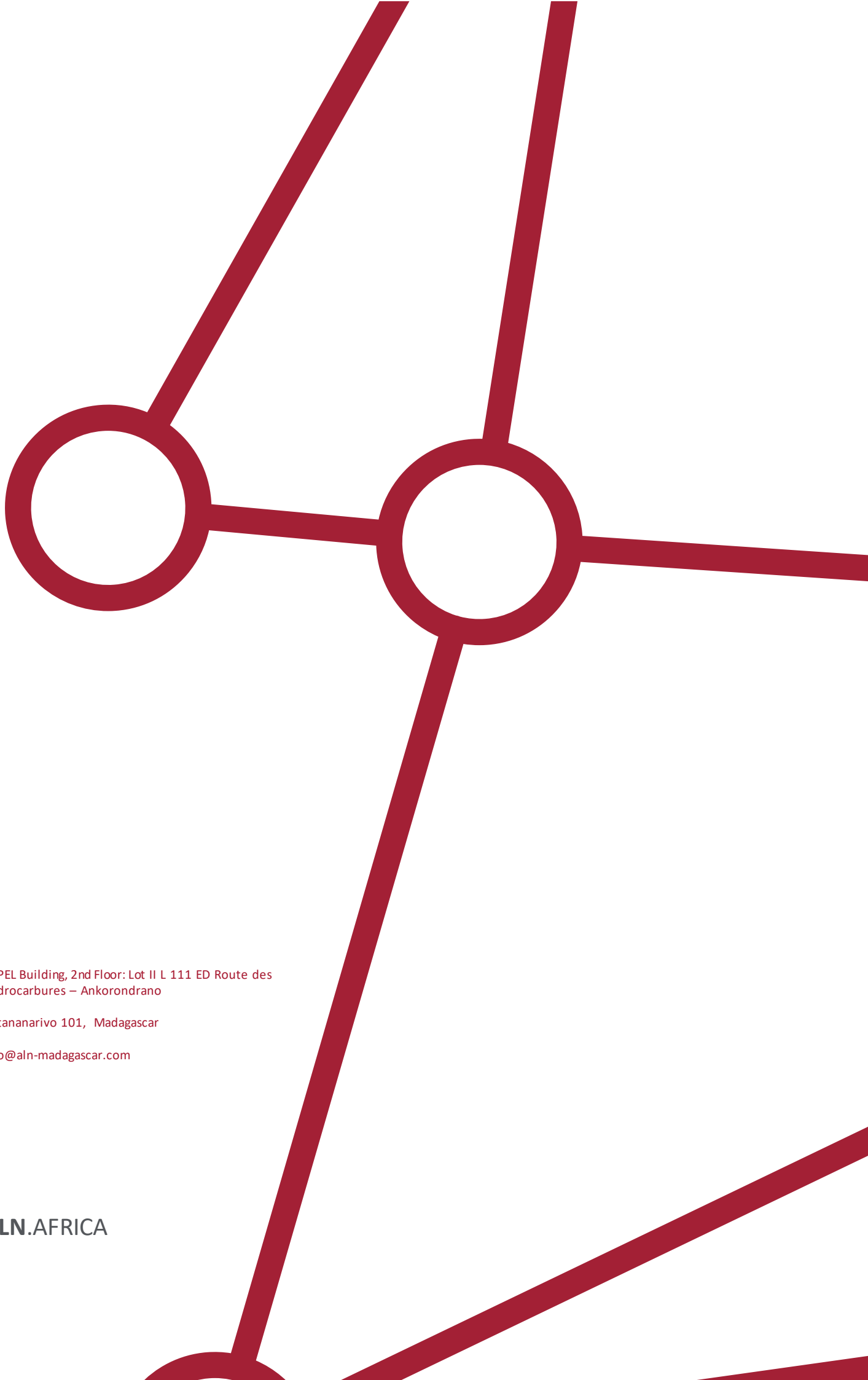
Vision

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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