

A Victim Of Its Own Success?

Jordan Re-evaluates Its Power Generation Strategy

By **Oliver Irwin and Laura Capelin** | 8 February 2019

Jordan's approach to the development of renewable energy generation infrastructure has long been regarded as a template for other governments in the region. Through leveraging its favourable geography and climate for wind and solar generation an aggregate capacity of almost 1 GW of renewable energy has been, or is currently under construction to be, added to the grid since the introduction of the Renewable Energy and Efficiency Law in 2012.

Jordan's position in the vanguard of renewable energy deployment was further cemented last year when its Ministry of Energy and Mineral Resources (MEMR) released a tender for a 30 MW/ 60 MWh energy storage system that would likely be the first energy storage system in the Middle East and North Africa region to be financed on a standalone limited recourse basis.

While this increase in generation capacity is much needed to address the energy demands of Jordan's growing population and expanding urbanisation, Jordan's ageing grid has experienced technical challenges in absorbing the increased production from these renewable energy projects. It was announced on 29 January 2019 that the Prime Minister's Cabinet had decreed that all conventional and renewable power generation tenders or direct awards have now been put on hold until studies on the ability of the grid to absorb additional power have been completed, and MEMR has updated its power generation strategy for efficiently upgrading the grid and minimising the cost of power generation.

We understand that there are two primary categories of exceptions to this suspension:

- Round 3 projects: we understand that this exception is caveated by the requirement that the Round 3 projects demonstrate a reduction of energy costs in Jordan. The amount of such reduction and how such reduction is to be demonstrated has not been specified. Round 3 projects include 150 MW of solar PV and 50 MW of wind. China's Jinko Solar and US-based RAI Energy last year submitted the lowest bids for both the base and alternative proposals for the solar component.
- Wheeling or net-metering projects with a capacity under 1 MW.

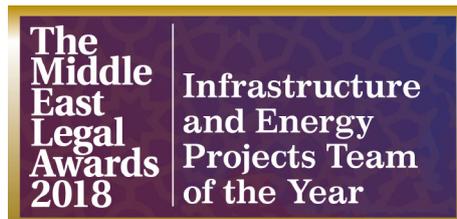
Jordan's Energy, Water and Environment Association (EDAMA), an NGO established in 2009, reported that MEMR confirmed to them on 5 February 2019 that the suspension of approvals for renewable energy projects would only be temporary, and that MEMR "is biased" to renewable energy project being the only local energy source.

Unsurprisingly, this suspension has been met with some consternation from the private sector, but it was perhaps not entirely a surprise that MEMR would consider re-evaluating its power generation strategy at some point. Technical challenges faced by the grid in absorbing the additional renewable energy generated had been cited as the primary driver for the reduction of the Round 3 capacity from 200 MW to 150 MW in solar and from 100 MW to 50 MW in wind in September 2018. In addition, the deployment of energy storage technology is currently attracting a great deal of interest and attention in the Middle East and North Africa region, and MEMR may be well served in considering how such technology can be most effectively integrated into the grid for the purposes of enhancing electricity interconnection and minimising energy loss.

The biggest concern for the private sector is perhaps not that a suspension has occurred, but that there is currently no visibility as to when the suspension will be lifted. We understand that it is expected that the studies to be commissioned by MEMR will be completed by mid-2019, but there has been no indication as to the period of time that MEMR will then permit itself for the review of those studies and the revision of its power generation strategy in line with the studies' findings.

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Our experience in Jordan is extensive, having acted as counsel on renewable energy projects that have contributed capacity in excess of 250 MW to the Jordanian grid. We are also acting for multiple parties in relation to the 30 MW/ 60 MWh energy storage system. Our team was recognised as the “Infrastructure and Energy Projects” team of the year at the 2018 Middle East Legal Awards, becoming the first law firm to win this award in consecutive years.

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