Executive summary

Scaling up investment in renewable power can significantly contribute to addressing many of Jordan's crucial challenges. These include: sustaining economic growth; improving energy security and reducing fossil-fuel consumption and imports; and reducing fiscal pressure linked to costly support to fossil-fuel imports. Unlike some of its neighbours in the Middle East and North Africa (MENA) region, Jordan has few fossil-fuel resources of its own and imports around 96% of its total primary energy supply. Concerns over energy security and fossil-fuel imports dependency have intensified in Jordan due to political events in the region, including gas supply interruptions since 2011, and more recently, the rapid growth in energy demand caused by a large influx of more than one million refugees and asylum seekers, mostly from Syria and Iraq.

This report provides an assessment of Jordan's existing policy and regulatory framework for investment in renewable power. It also provides non-prescriptive policy suggestions and raises key issues for Jordanian policy makers to consider in order to scale up private investment in renewable power, in the areas of: investment policy; investment promotion and facilitation; competition policy; financial market policy; public governance; and other cross-cutting issues. The report reviews key elements of Jordan's policy framework for renewable-power investment, drawing from topics and themes addressed in the OECD *Policy Guidance for Investment in Clean Energy Infrastructure* (OECD, 2015a). This guidance is a non-prescriptive tool that assists governments in improving the domestic enabling environment for investment in renewable energy in the electricity sector.

Jordan's existing policy framework for investment in renewable power

Recognising the potential for renewable power to achieve its energy security, economic growth and environmental objectives, the Government of Jordan has developed a comprehensive set of laws, incentives, targets and regulations since 2010 to promote investment in renewable power, especially in solar photovoltaic (PV) and wind energy. Since establishing its 2007 *National Energy Master Strategy*, Jordan has demonstrated leadership in the MENA region in terms of commitment to renewable-power deployment. It has introduced a target for renewable power: renewable energy is to reach 10% of the total primary energy mix by 2020. The *Renewable Energy and Energy Efficiency Law* (REEEL; passed as permanent law in 2012) is at the core of Jordan's renewable energy investment policy framework. Under the REEEL and associated by-laws, Jordan has implemented incentive schemes and procurement methods for awarding long-term power purchase agreements to grid-connected renewable-energy projects, including: a feed-in tariff (the first to be implemented in the Middle East, although it was mostly used in 2012); unsolicited expressions of interest from investors through a "direct submission proposal" procurement scheme; a competitive tender; and public procurement under Engineering, Procurement and Construction "turn-key" contracts. In 2014, Jordan established net metering and wheeling arrangements to encourage small and distributed renewable energy located on industrial, commercial or residential sites. In addition, the Government has set tax exemptions for renewable-energy systems and equipment from customs duties and sales tax. As a result, Jordan has one of the most advanced regulatory and policy frameworks for renewable-power investment in the MENA region. This report has, however, identified a few implementation areas that could usefully be strengthened.

Investment trends in renewable power

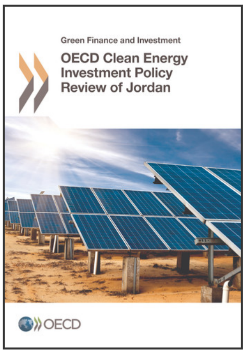
Investment in solar and wind power has significantly increased in Jordan since 2013. Jordan has strong potential for renewable power technologies, especially in grid-scale and distributed solar and wind energy. Largely driven by substantial policy support in recent years, new investment in solar PV and wind energy increased in Jordan in 2013-14, from no investment in 2012 to USD 478 million in 2014, before declining to USD 129 million in 2015 due to grid capacity constraints. The Government estimates that Jordan has attracted cumulative investments in solar and wind energy totalling USD 1.6 billion as of 2016, corresponding to a total capacity of 1 000 megawatts (MW), of which 500 MW will be connected to the grid by the end of 2016. Although the costs of PV and wind energy have declined since 2012, renewable power is still nascent in Jordan, at about 4% of the electricity generation mix as of mid-2016, compared to the targets of 7% by 2015 and 10% by 2020 set out in the *National Energy Strategy*. The vast majority of investments are in greenfield, grid-connected PV and wind-energy projects.

Strengthening Jordan's policy framework for renewable-power investment

Jordan has become an attractive country for renewable energy investment thanks to its robust policy framework. Nonetheless, a few outstanding issues might usefully be addressed through reforms and adjustments to existing policy planning, policies and regulations, thus enhancing effective implementation of Jordan's already robust legislative and regulatory framework.

This report highlights a few priorities for policy makers to consider in order to improve the enabling conditions for private investment in renewable power. It follows key policy areas identified by the *Policy Guidance for Investment in Clean Energy Infrastructure*. Within each policy area, key priorities that Jordanian policy makers could usefully consider include:

- **Investment policy:** streamlining the land acquisition and leasing process for renewable-power facilities.
- **Investment promotion and facilitation:** improving the transparency and enforceability of the unsolicited or direct proposal submission scheme; facilitating net metering and wheeling procedures for commercial, residential and industrial users; further phasing down support measures for the consumption of fossil fuels and increasing electricity tariffs for household consumers, while providing targeted subsidies to benefit the poorest households; and streamlining licensing and registration procedures.
- **Competition policy:** reforming Jordan's single-buyer model in the electricity sector.
- **Financial market policy:** increasing the participation from local Jordanian banks in the financing of renewable-power projects; using donor support to build capacity in order to access international climate finance for renewable-power projects in Jordan; and leveraging private sector finance for renewable-power projects, using public funds (such as the *Jordan Renewable Energy and Energy Efficiency Fund*) and donors' funding.
- **Public governance**: improving planning for future grid extension to connect planned and future renewable-power projects to the grid; and improving co-ordination between government officials, donor agencies, international financial institutions, project developers and local authorities.



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