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EgyptERA Expected to Issue Guidelines for the Renewable FiT Program - With a Plot Twist!

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Egypt's Egyptian Electric Utility and Consumer Protection Regulatory Agency is expected to issue long-awaited guidelines on special purpose vehicle incorporation. In recent days it has emerged that these guidelines will be more flexible than previously expected. This is expected to be particularly welcome news to prequalified developers interested in participating in multiple projects within the feed In tariff programme. However, it is expected that the rules will require developers seeking to maximise their participation in the program to act quickly. Previously, it was believed that the guidelines would prevent a prequalified bidder from holding more than 50MW of solar and 50MW of wind across the entire renewable feed in tariff programme. For some of the prequalified bidders, these were disappointingly small caps. It is now believed that the rules will permit a prequalified developer to hold equity sufficient to build up to 100MW per substation and in each of the solar and wind programmes. Since it is understood that there will be four separate solar project substations and five separate wind project substations, this means a single qualified developer could theoretically hold up to 400MW worth of solar projects and up to 500MW of wind projects in the programme. Each project (whether wind or solar) will continue to be capped at no more than 50MW. Each prequalified consortium will be required to hold at least 51% of the equity of the project for which they were prequalified for at least 2 years following commercial operations. Within that consortium, the lead member will be required to hold at least 25% of the equity of the project for at least 2 years following commercial operations. The remaining 49% can be held by other investors, including investors who individually hold a greater percentage than the lead developer. If another investor within the 49% is another qualified investor, that qualified investor will be subject to the 100MW per programme, per substation location cap. Despite the good news, there are two restraints on the ability of a developer to reach the theoretical maximum of 400MW worth of solar projects and up to 500MW of wind projects in the programme: First of course will be the willingness of other prequalified developers to partner up. The rules will generally not allow projects to be sold or transferred entirely, so developers will need to enter into more complex joint venture negotiations. The second will be the availability of enough land allocated at a given substation locality. Developers could find themselves in the unhappy situation of hammering out a deal to share a project only to find out that one of them is barred because of a land location that puts them in the position of having more than 100MW at that substation location. With so many prequalified bidders clamoring for the same allocations, this could be a practical obstacle. If as is expected, the guidelines follow this pattern, the race will be on for developers looking to maximize their participation in the Egypt renewable FiT to partner up and to obtain land allocations.