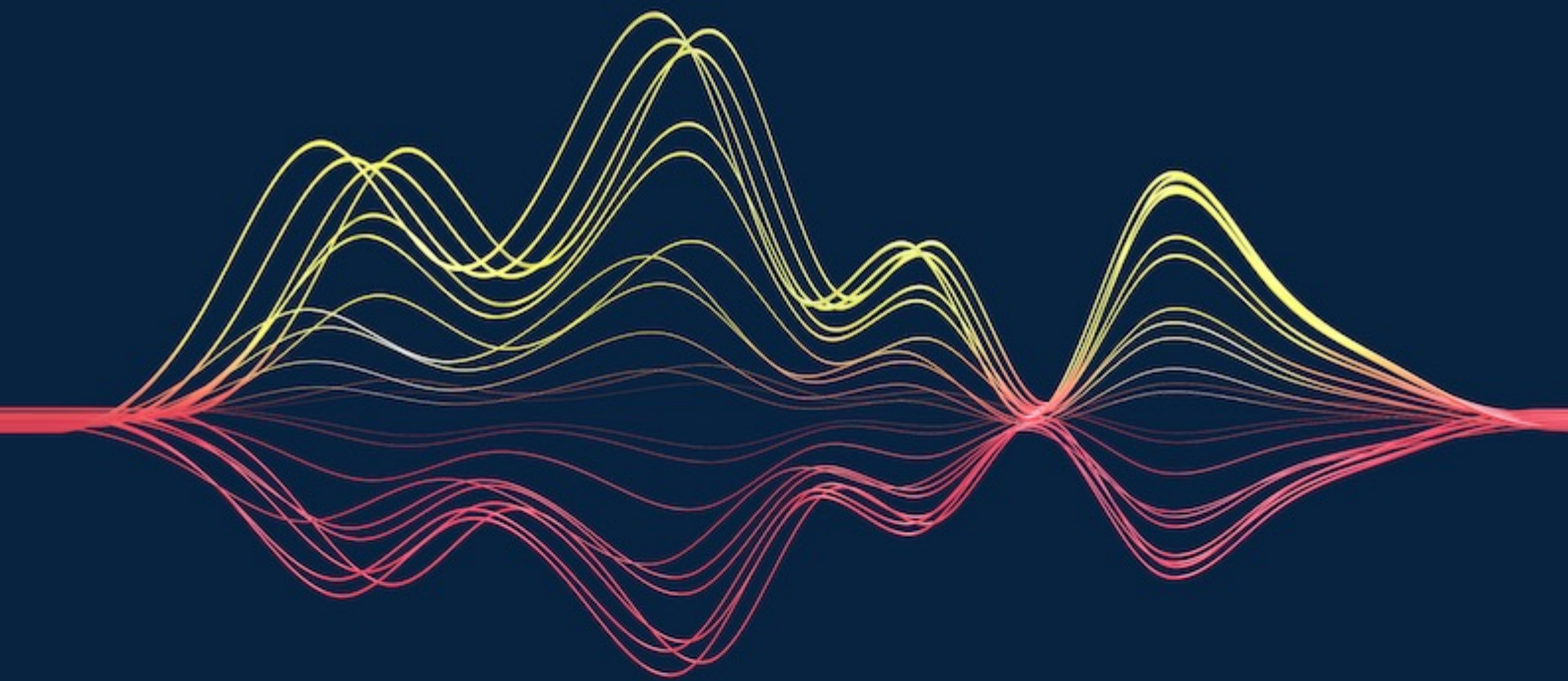


MOROCCO

# Corporate Power Purchase Agreements





# Morocco

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## PPA structures and parties involved

### To what extent are corporate PPAs presently deployed and what sort of structure do they take?

Law No. 13-09 relating to renewable energy<sup>1</sup> introduced the possibility for operators of renewable energy production installations to enter into direct power purchase agreements with end-users to sell the electricity produced. The price is freely agreed between the parties and is not determined by the law (no feed-in tariffs). However, the end-users cannot resell the electricity to third parties.

Law No. 13-09 requires that all renewable energy projects be connected to the national grid. Therefore no direct wire projects can be implemented pursuant to Law No. 13-09. In this regard, the operator has the right to access the national low-voltage, medium-voltage, high voltage and very high-voltage grids within the limit of their carrying capacity.

[1] Law No. 13-09 relating to renewable energy as amended by law No. 58-15 and its implementing decrees

### Do the country's regulators allow corporate owners to purchase (1) directly from a facility, or (2) from a choice of suppliers?

Corporate owners can purchase directly from a renewable energy electricity production installation.

### Other than the generator and the off-taker, are any third parties commonly party to the PPA structure (e.g. a utility or other market agent)?

As previously indicated in point 2 above, no direct wire projects can be implemented pursuant to Law No. 13-09. The operators of renewable energy production installations will need therefore to access the national medium-voltage, high-voltage and very-high-voltage grids in order to commercialize the electricity produced from renewable energy sources and this subject to the available technical capacity of the grid.

In practice, two agreements are entered into between the generator and the national electricity transport grid operator in order to access the national grid:

- a grid connection agreement pursuant to which the operator of renewable energy production installations connects its facility to the national grid;
- a network access agreement pursuant to which the operator is granted the right to inject electricity into the grid in compliance with certain technical and financial conditions.

### Is a generator permitted to sell electricity directly to an end user? If so, do they require a licence or other form of authorization?

Yes.

Renewable energy production installations are subject to different regimes depending on their installed capacity:

- **free-regime:** applicable to renewable energy electricity production installations with an installed capacity, per site or group of sites owned by the same operator, of less than 20KW;
- **prior declaration:** applicable to renewable energy electricity production installations with an installed capacity, per site or group of sites owned by the same operator, between 20KW and 2MW. This prior declaration is submitted before the Ministry;
- **prior authorization:** applicable to renewable energy electricity production installations with an installed capacity, per site or group of sites owned by the same operator, exceeding 2MW.

## Challenges

**What are some of the technical, political, financial or regulatory challenges to corporations adopting green energy in the short/medium term in your country and how have these challenges been overcome (or how can they be overcome)?**

- Some of the implementing decrees of law No. 13-09 have not yet come into force, in particular the ministerial order identifying the map of areas for the development of solar projects. Therefore, no solar project can be authorized by the Ministry.
- The Moroccan national electricity grid has reached its capacity limits in certain regions.
- It is not possible today to sell electricity to the distributors connected to the medium-voltage grid.

These challenges are currently addressed in the draft reform of Law No. 13-09 (see [Regulatory changes](#)).

## Regulatory changes

**Are there any anticipated regulatory changes which will alter the regulatory landscape for corporate green energy and corporate PPAs?**

A new Draft Law No. 40-19 reforming law No. 13-09 aiming to improve the legislative and regulatory framework relating to the renewable energy sector in Morocco was published in December 2019 by the Moroccan General Secretariat of the Government. In this reform, the Moroccan legislator is addressing the current legal and technical difficulties faced by the operators, particularly:

### Solar Zoning

Draft Law No. 40-19 removed this zoning requirement for solar energy projects. The zoning remains, however, applicable to wind energy projects.

### National grid reception capacity and contribution to the stability of the grid

One of the main innovations introduced by Draft Law No. 40-19 is the introduction of the national grid carrying capacity (*capacité d'accueil*) defined as the maximum quantity of installed capacity from renewable energy sources that the national grid can accommodate without facing management constraints. This carrying capacity will be fixed by the national electricity transport grid operator following the approval of the National Electricity Regulation Authority.

The publication of the grid reception capacity, following the entry into force of Draft Law No. 40-19, will give more visibility to the operators in order to submit or not the authorization pursuant to Law No. 13-09.

### Selling electricity to distribution network operators

Draft Law No. 40-19 introduced the possibility for distribution network operators to acquire up to 40% of the total energy supplied from renewable energy sources.

In order to develop projects under the self-consumption regime, a draft bill was published on the website of the General Secretariat of the Government on 19 November 2020. This draft bill introduces a new self-consumption regime depending on whether or not the installation is connected to the grid.

This new regime allows for better visibility and greater transparency as to how the installations are operated and, where applicable, connected to the grid.

## Incentives and benefits

### What is the corporate appetite for green energy, including any political or financial incentives available to corporates to adopt green energy?

The Moroccan Government has set up its National Energy Strategy, which aims to reach 53% of electricity generation from renewable sources by 2030. This political incentive pushes the authorities to grant customs and tax incentives to corporates investment conventions.

There are, however, no specific financial incentives available to corporates that wish to adopt green energy.

### What are the key local advantages of the corporate PPA model which can benefit our clients?

The price is freely agreed by the parties and is not determined by the law (no feed-in tariffs).

### What subsidies are applicable to the generation and sale of renewable energy?

No subsidies are applicable.

### Does your country implement a national support scheme with tradable green certificates (such as guarantees of origins)?

No.

## Typical PPA terms and risk allocation

### To the extent corporate PPAs are deployed, how are prices, terms and risks affected?

Topic	Details
<b>Do prices tend to be floating or fixed?</b>	Fixed
<b>What term is typically agreed for the PPAs?</b>	20 years
<b>Are the PPAs take-or-pay or limited volume?</b>	Both options are possible
<b>Are there any other typical risks?</b>	Not applicable

### To the extent corporate PPAs are deployed, in whose favour will the risks typically be balanced?

Type of risk	Details
<b>Volume risk</b>	Generator
<b>Change in law</b>	Usually the change in law is qualified as <i>force majeure</i> event.

<b>Increase / reduction of benefits</b>	Generator
<b>Market liberalisation (if applicable)</b>	Not applicable
<b>Credit risk</b>	Generator
<b>Imbalance power risk</b>	Generator
<b>Production profile risk</b>	Generator

## Balancing

### Does your country operate a balancing responsibility scheme?

Yes.

### If your country operates a balancing responsibility scheme, who is the balancing authority and do the generator and offtaker typically undertake balancing themselves?

The national electricity transport grid operator is the balancing authority.

Draft Law No. 40-19 also requires the contribution by the generators to the stability of the grid by paying a tariff determined by the National Electricity Regulation Authority. In this regard, Draft Law No. 40-19 introduces the term "system services" consisting of a set of services enabling the national electricity transport grid operator to maintain frequency, voltage and cross-border trade with other countries. System services also allow the national electricity transport grid operator to manage the intermittent nature of renewable energy sources connected to the grid.

## Significant transactions

### What significant transactions/deals have taken place in the last 12-18 months?

Aftissat II wind farm project developed by Nareva Holding, through its subsidiary Energy Eolienne du Maroc, pursuant to Law No. 13-09. The wind farm will have a capacity of 200MW and will enter into service in 2022.

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