

Libya green electricity

The global energy landscape is shifting at drastic pace. In 2023, global investments in renewables will exceed those for oil and gas for the first time. Over the next five years, 90% of new electricity capacity globally will come from renewables. The shift is due to continually falling costs of renewable electricity production and growing public concerns about climate change. This trend presents a significant opportunity for Libya if it takes the steps needed to leverage its abundant solar and wind resources.

As the world celebrated World Environment Day, it is worth recalling the immense benefits of renewable energy for people's health and the environment. This energy is cleaner, safer, it consumes less water and it is sustainable. It is also crucial for Libya's future as the energy transition will eventually decrease demand for oil and gas resulting in falling oil and gas prices.

Libya is well placed to exploit this new resource. Due to its location in the heart of the sun belt, one year of solar radiation on each kilometer of land produces energy equivalent to 1.5 million barrels of crude oil. However, while its neighbors are rapidly moving ahead, Libya's electric power system remains exclusively dependent on hydrocarbons consuming 11 million tons of oil equivalent rather than selling this resource on the international market while prices remain high.

The international community and UNDP can help Libya to facilitate this transition. UNDP's energy transition program, in partnership with UNEP, the Ministry of Planning, the Renewable Energy Authority of Libya, the NESDB and others, supports the development and implementation of the National Sustainable Energy Strategy 2035, including greater policy and regulatory advice, the roll out of new energy efficiency standards as well as catalyzing new major renewable energy generation initiatives by supporting front end development of projects, which is a technically and legally intensive.

Kilian B?lz and Hussam Mujally of AMERELLER in association with P& A Legal, Berlin/Tripoli, discuss one of the greatest issues of our time: how to tackle climate change. Specifically, renewable energy is the focus of this article.

Traditionally, the key player in the Libyan electricity sector has been GECOL (the General Electric Company), a state-owned company established in 1984 and subject to the direction of the Ministry of Electricity. In 2007, the Authority of Renewable Energies (REAOL) was set up with the mandate to develop the renewable energy sector. From 2017, REAOL has been a government agency directly subordinate to the Council of Ministers.

Only more recently has NOC emerged as a player, with a pronounced political agenda to take the lead in developing renewables. This has resulted in a number of ad hoc projects, under which international oil companies have agreed to invest in renewable energy plants adjacent to conventional oil and gas projects.

Both French Total and Italian ENI have announced respective projects recently. This is part of an initiative to prepare Libya for the post-hydrocarbon phase - and preserving NOC's role.

From a financial and managerial point of view, NOC may be better placed to propel the development of renewable energy in Libya than GECOL and REAOL, which are both notoriously underfunded. However, so far NOC lacks a clear legal mandate.

Libya so far has no comprehensive legal framework governing the renewable energy sector. Implementing renewable energy projects requires navigation of a complex regulatory environment. Contrary to what occasionally is being alleged, the lack of a specific renewable energy law does not prevent the implementation of projects.

Based on the existing laws, a patch-work regulatory structure can be designed, which will be project specific (and not based on a regulatory framework of general application).

In practice, most projects are set up as investment projects under the Investment Law. This gives the Privatisation and Investment Board (PIB) a key role in approving the project.

In the absence of a specific renewable energy law providing for a pricing mechanism and interconnection with the grid, a power purchase agreement (PPA) is considered the baseline document for all renewable energy projects.

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