

TUNISIA

1. CDM Investment climate index: regional comparison

CDM investment climate index (CDM ICI), Africa - July 2009 (excerpt)

Rank	Country	CDM ICI (max. 100 points)	Regional classification
1	South Africa	78.0	Good climate
2.	Tunisia	77.5	Good climate
3.	Morocco	74.5	Satisfactory climate
4.	Egypt	69.2	Satisfactory climate
....	
54	Somalia	3.9	Unsatisfactory climate

Source: DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH
(For calculation method see www.kyoto-coaching-cologne.net)

The CDM ICI measures the investment climate for CDM projects. It can range between 100 points (highest) and 0 points (lowest). Altogether, the climate is rated as 'good' in Tunisia. The country ranks second in Africa (Rank 18 of 150 in all). South Africa ranks top due to a slow but steady increase in the number of projects registered at the CDM Executive Board (responsible UN body for the international approval of CDM projects - EB) over the last three years. Only two projects have, in contrast, been registered in Tunisia since 2006.

2. General climate for foreign investments

General economic statistics 2008	
Population:	10.3 million inhabitants
Nominal GDP:	US\$ 40.3 billion
Per capita GDP:	US\$ 3,907
GDP growth (real):	+4.5% (forecast 2009: +3.3%)
Consumer prices:	+5,0%
Goods exports:	US\$ 19.1 billion
Goods imports:	US\$ 24.2 billion
Foreign direct investments:	US\$ 1.6 billion
Foreign debts:	US\$ 19.2 billion
Foreign currency reserves:	US\$ 8.9 billion
Exchange rates (average May 2009):	EUR 1 = TND 1.86; US\$ 1 = TND 1.36
Country credit rating acc. to Institutional Investor (March 2009):	58.7 of 100 points (Rank 57; -2.6 points compared with previous year)
Corruption Perceptions Index 2008 (Transparency International):	4.4 out of 10 points (Rank 62 of 180; 10 = free of perceived corruption)

Locational advantages:

Stable economic growth over the last 20 years (4-5% a year on average), political continuity, well trained labour force, stable consumer demand, close economic ties and association agreement with the EU

Locational disadvantages:

High unemployment (above all among the younger population), small market with 10 million inhabitants, bureaucracy and heavy regulation

3. Specific climate for CDM projects

3.1 Ongoing CDM projects and planned projects in the country

Since the last issue of the CDM Market Brief in mid-2006, Tunisia has made hardly any progress in registering new projects at EB. The two projects that were in the validation phase at that time were registered at the EB at the end of 2006. Up until May 2009, only one other project was undergoing the validation phase. Tunisia is therefore lagging well behind its own ambitious plans of 2006, but also records fewer registered projects than the North African CDM host countries Egypt and Morocco.

The two registered projects are the 'Djebel Chekir Landfill Gas Recovery and Flaring Project' and the 'Landfill Gas Recovery and Flaring for 9 Bundled Landfills Project'. The executing agency of the two projects is the National Waste Management Agency (Agence Nationale pour la Gestion des Déchets - ANGED) founded in August 2005, which is answerable to the Ministry of Environment and Sustainable Development (MEDD). The partner of the projects is the World Bank, which as a trustee for the Spanish and Italian Carbon Funds has also purchased the certified emission reductions (CERs). The two projects are supposed to have saved 370 and 318 kilotonnes of carbon dioxide equivalent (CO₂e) a year respectively by 2012.

Another Tunisian project, the Programme for Promotion of Solar Thermal Energy Installations (PROSOL), which was prepared with support from the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), is in the validation phase at the EB. The aim is to equip about 30,000 households a year with small solar water heaters. This project is being developed as a Programme of Activity (PoA) and negotiations on the sale of CERs are underway.

The Designated National Authority (DNA) has agreed to another 24 of the Project Idea Notes (PIN) submitted. Of these, 20 belong to the energy sector, one to solid waste management, two to afforestation or farming and one to transport. In nine of the projects, the Project Design Document (PDD) is currently in preparation, according to the DNA.

The reason for the small number of registered projects is not, however, the lack of potential for CDM projects. Projections estimate that Tunisia will emit greenhouse gases in 2010 amounting to 55 million t of CO₂e, increasing to 79 million t of CO₂e by 2020. The largest prospective reductions are located in the energy sector, in solid waste management and industrial production processes.

Tunisia itself has drawn up an extensive portfolio of prospective CDM projects. It comprises 139 projects for the period 2008 to 2012 and could result in the avoidance of altogether about 39 million t of CO₂e by 2012. Almost 80% of the potential emission cutbacks by 2012 are in

the energy sector (energy efficiency, renewable energies, fuel switch - substituting oil with gas - and greenhouse gas use to generate energy), industrial processes (chemicals and cement industry) and in solid waste management. Information and detailed project lists are available on the internet pages of the DNA (www.mdptunisie.tn) and the National Energy Management Agency (Agence Nationale pour la Maîtrise de l'Energie - ANME, www.anme.nat.tn, see Section 3.6).

In the estimation of a GTZ study (available at www.bmu-jiko.de), a problem with CDM in Tunisia is that public institutions or state-owned enterprises are the main project executing agencies. The private sector has hardly been engaged at all to date. Many prospective actors are still not sufficiently informed about the possibilities afforded by CDM. An added factor is that a large portion of the potential savings is located in the small and medium-sized enterprise sector in Tunisia. Small-scale projects are therefore of particular interest. It is, however, more difficult to find investors or financiers for this. A possible solution proposed by GTZ is bundling smaller-scale measures into a PoA or the so-called 'voluntary market'. Till now, however, even the state project operators have not managed to get their projects efficiently underway. The three projects registered at the EB or in the validation phase, have been implemented either in international or bilateral cooperation.

A major reason for the sparse progress made on the CDM market is that it is still not accorded any high policy priority. There is, for example, still no legal and fiscal framework for the transfer of CO₂ certificates. Some institutional shortcomings also still persist in CDM (see Section 3.2). Measures needed to promote CDM in the public and private sector are hardly coordinated or not even initiated. Moreover, Tunisia has done little so far to attract potential investors for the projects in its portfolio.

3.2 Mode of operation of the Designated National Authority (DNA)

Brought into being by ministerial decision on 24 December 2004, the Tunisian DNA was registered at UNFCCC in early 2005. The DNA, or its permanent secretariat, is located in the Directorate General for the Environment and Quality of Life at the Tunisian Ministry of Environment and Sustainable Development (MEDD). A committee was appointed as a decision-making body, initially made up of representatives of six ministries and ANME. It was then enlarged to 15 members in December 2005. Besides three other ministries, the industrial federation UTICA, the agriculture and fishery federation UTAP and the central bank, major industrial enterprises also joined, such as the national power supplier, Société Tunisienne d'Electricité et du Gaz (STEG), the state-run Groupe Chimique Tunisien (GCT) and the petroleum company, Entreprise Tunisienne d'Activités Pétrolières (ETAP), also government-owned.

So far, the institutional status of the DNA is based only on an administrative act. It still lacks any final legitimacy through a ministerial decree or a vote of parliament. It nevertheless has statutes and standing orders for the decision-making committee, stipulating the competencies of the individual committee members and the approval procedure for CDM projects. As a first step, the DNA requires the Project Idea Note (PIN), after whose submission the committee decides on provisional project approval within 15 days. In the second step after the submission of the Project Design Document (PDD), a decision is taken on definitive national approval (Letter of Approval). The maximum deadline for this is 45 days. Experience shows, however, that delays can be expected in the decision-making process.

An overview of the procedure and specimens of PINs and PDDs are available on the DNA website at www.mdptunisie.tn. Also published there are the national criteria for assessing the sustainability of the CDM projects.

The GTZ study on CDM progress in Tunisia identified some weakpoints in the institutional framework. It found that the demarcation between the role of the DNA and the Ministry of Environment was not clear enough, the DNA secretariat was understaffed and the executive committee was short of experts. The project evaluation procedure was also still too intransparent and the administrative operations in need of improvement.

3.3 Local consultants, validators and verifiers

There are presently only a few consultants in Tunisia who are familiar with the CDM problem and capable of preparing PINs or PDDs. The best known is Dr Samir Amous, who also works for the Canadian consulting firm APEX-Conseil and played the main part in preparing the two registered landfill gas projects. Other consultants with CDM experience are Dr Rafik Missaoui, Ben Hassine Bey and Hakim Zahar. Training measures have been conducted with the help of GTZ, which ought to enlarge advisory services over the medium term and remedy the present capacity problems. Similar programmes are also carried out by international institutions such as UNDP. Further information on national expertise can be found on the DNA website - www.mdptunisie.tn.

An important step towards promoting CDM investments in Tunisia was the appointment of a CDM Task Force by the Ministry of Industry, Energy and Small and Medium Enterprises (MIEPME). The Task Force is responsible for defining and supporting all CDM projects in industry and the energy sector. It identifies projects, develops PINs for submission to the DNA, mobilizes financial resources and technical assistance for drafting PDDs, helps in selecting the Designated Operational Entity (DOE) for validating the PDDs and assists the project executing agencies in selling CERs.

There are no local validators and verifiers as yet. The two landfill gas projects have been validated by Det Norske Veritas (DNV), which handles Tunisia from its Spanish branch office. TÜV Rheinland also provides validation services in the country.

3.4 Local legal requirements for CDM projects and taxation aspects

No specific legislation has so far been adopted for CDM in Tunisia. Investments are regulated by the Investment Promotion Law no. 93-120 of 27 December 1993 with its implementation regulations. Industry is generally free to invest and foreign investments can be made without national holdings. Private investment, however, is not permitted in all areas, or may require authorisation.

Investments in the environment sector to raise energy efficiency and use renewable energies are promoted through tax and customs relief. It is advisable to check the individual project for eligibility for assistance and possible approval requirements. The competent contact points for this are the Industry Promotion Agency (API - www.tunisieindustrie.nat.tn) and the Export Promotion Centre (CEPEX - www.cepex.nat.tn).

CDM projects are subject to general fiscal provisions; there is no preferential treatment. Proceeds from the sale of certificates can be treated as export revenue, exempting them of tax. A requirement here, though, is that the CDM project executing agency is classified either fully or in part as an export firm. No general provisions have been adopted as yet. Fiscal treatment must be clarified in each case with the competent authorities.

3.5 CDM partnership agreements

Tunisia has concluded cooperation agreements with several countries in climate protection and CDM. Cooperation with Germany is particularly close, the two countries having signed a Memorandum of Understanding (MoU). Local cooperation is largely conducted by GTZ. Among other things, it supports the Tunisian authorities in setting up the institutional framework and in measures for CDM promotion. Another task is to improve access for German enterprises to the Tunisian CDM market. Under the CDM-JI initiative of the German Environment Ministry, GTZ prepared a detailed study of CDM in Tunisia, which was published in December 2008.

3.6 Opportunities for CDM projects in the energy sector

Thanks to economic growth and improvements in the standard of living among households, energy demand continues to rise in Tunisia (presently about 3% to 4% a year). Almost all of primary energy needs are met by fossil fuels. Since Tunisia itself can no longer draw on sufficient mineral deposits to meet its requirements, it is keen to reduce its dependence on imported raw materials by developing renewable energies and more efficient energy use. This is why it increasingly promotes these sectors (Law no. 2004-72, extended by Law no. 2009-7 and Decree no. 2009-362).

Windpower and solar energy (solar thermal energy) are a particular focus, as the natural conditions for these are favourable in Tunisia (2,800 to 3,200 hours of sunshine a year and an estimated potential windpower capacity of 1,000 MW). Cogeneration is also a concern. Under the 'Programme Quadriennale de Maîtrise de l'Energie 2008-2011', the government is planning to expand windpower capacity to 215 MW (installed capacity at the end of 2008: 54 MW) and solar panel installations to 740,000 sqm (mid-2008: 249,000 sqm).

In cooperation with ANME, the CDM Task Force has put together a portfolio for CDM projects in the energy sector. It contains 74 projects with a reduction scope of 4.3 million t of CO₂e every year and 107.6 million t of CO₂e for the overall term. The PINs for several projects have already been accepted by the national DNA. A detailed overview of the portfolio is provided in an English-language booklet issued by ANME (Internet: www.anme.nat.tn/sys_files/medias/publication/MDP/mdp_anglais.pdf). Another, French-language, publication of ANME's contains general information about CDM procedures in Tunisia and government goals and targets in the energy sector (www.anme.nat.tn/sys_files/medias/publication/MDP/mdp_vf.pdf).

An obstacle to implementing CDM measures in Tunisia's energy sector are the low, statutory prices for electricity. Good contacts are also essential on the market, which has not been deregulated to any great extent. The state provider, STEG, controls almost three-quarters of power production in the country and also wields a monopoly in electricity transmission and distribution.

As of the beginning of 2009, enterprises that produce power from renewable energies for their own use are entitled to sell the surplus electricity to STEG. The same applies for other power producers for own use if they are connected to the low-voltage grid (Law no. 2009-7).

Energy and environmental data

	Tunisia	Africa	OECD
Primary energy supply (Mtoe, 2006)	8.74		
of which from renewable energy sources	approx. 13% *)		
Electricity consumption (TWh, 2006)	13.02		
of which from renewable energy sources	approx. 1%		
CO ₂ emissions from fuel combustion (Mt, 2006)	19.70		
Electricity consumption/capita (kWh/capita, 2006)	1,221	557	8,381
CO ₂ /primary energy supply (t of CO ₂ /toe, 2006)	2.25	1.39	2.32
CO ₂ per capita (t of CO ₂ per capita, 2006)	1.94	0.91	10.93
CO ₂ /GDP (kg of CO ₂ /US\$, purchase power parity 2000; 2006)	0.25	0.39	0.41

*) Including traditional biomass use and refuse incineration

Source: IEA

3.7 Finance facilities for CDM projects

Both bilateral and multilateral donors provide a variety of finance facilities for CDM projects. The Kreditanstalt für Wiederaufbau (KfW) is actively engaged in environmental projects and the two first Tunisian CDM projects (landfill gas) are financed from the World Bank Global Environment Facility (GEF). Spanish, Italian and French development banks are also active (though with a heavy bias on supplies from the respective countries). Moreover, the KfW Carbon Fund is sounding out possibilities for the long-term purchase of CERs from related CDM projects. There is no national fund to finance CDM projects.

The Deutsche Investitions- und Entwicklungsgesellschaft (DEG) offers private enterprises finance for investment projects in Tunisia on commercial terms (in the form of long-term loans, mezzanine finance, equity and guarantees). Through its climate protection network, Kyoto Coaching Cologne (KCC), DEG can also draw on know-how and partners to provide support in the CDM registration procedure. Moreover, it can cofinance certain project activities with special developmental impacts under the Public-Private Partnership (PPP) Programme of the Federal Ministry for Economic Cooperation and Development (BMZ) with up to EUR 200,000.

4. Recap

The institutional framework for the CDM market in Tunisia is now in place, even though personnel capacity, competency and expertise at the agencies responsible are in some cases still in need of improvement. With only two registered CDM projects so far, Tunisia has not acquired a clear profile as a project location. Although the country is considered a forerunner in North Africa when it comes to energy and environment policy, no explicit priority seems to

have been attached to CDM as yet. With the help of international organisations and bilateral cooperation, however, progress is likely in capacity building in Tunisia during the next few years and it can be expected to play a more active role on the international CDM market in future.

Prospects for German enterprises are particularly good in the energy sector. The initiatives by GTZ have laid a sound foundation for German-Tunisian cooperation.

5. Advice/Service

DNA; Ministère de l'Environnement et du Développement Durable/Direction Générale de l'Environnement et de la Qualité de la Vie; Centre Urbain Nord - Immeuble ICF, 1080 Tunis; Tel.: 00216/70 72 86 44; Email: DGEQV@mineat.gov.tn, Internet: www.mdptunisie.tn (Note: The French version of the website is more up to date than the English one.)

KfW Carbon Fund;

Email: carbonfund@kfw.de; Internet: www.kfw.de/carbonfund

DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH (advice/project finance);

Email: co@deginvest.de, sb@deginvest.de (Kyoto Coaching Cologne network - KCC);
Internet: www.deginvest.de, www.kyoto-coaching-cologne.net

TÜV Rheinland Group (validation/verification);

Email: kober@de.tuv.com (Competence Centre Climate Change), tarek.khelifi@de.tuv.com (TÜV Rhineland Representative Office Tunisia); Internet: www.tuv.com.tn

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Imprint

Published by:

Germany Trade and Invest

Gesellschaft für Außenwirtschaft und Standortmarketing mbH
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Registered at Local District Court: Charlottenburg · Registration Number: HRB 107541 B

Germany Trade & Invest is supported by the Federal Ministry of Economics and Technology and by the Federal Ministry of Transport, Building and Urban Affairs in accordance with a German Parliament resolution.