

# Jordan's Renewable Energy

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Renewable energy is a term Jordanians will be hearing quite often in the coming years, and rightly so.

The energy sector plays a vital role in the development and maintenance of every other sector in the country. It is essential in improving standards of living and fundamental to the establishment of sustainable development. Unfortunately, Jordan lacks conventional energy resources and imports the vast majority of its supply of energy.

The rapid increase in population size and economic growth has also created a higher demand for energy making it difficult for the Kingdom to satisfy its needs.

Jordan has a small to medium sized economy. It annually receives financial aid from abroad and has a number of foreign loans. Unlike its neighbouring countries, it has little to no reserves of oil, limited natural resources and relies mainly on imports to keep its citizens' needs met.

What role does renewable energy play in all this then? Although the country is blessed with high rates of solar and wind energy, Jordan does not capitalise on these sources for the generation of electricity. At present, renewable energy plays only a minor role in the sector. According to recent statistics, it comprises a mere 2% of the energy mix in Jordan. But that is soon about to change.

The introduction of the 2012 Renewable Energy and Energy Efficiency Law No. 13 ("Renewable Energy Law") places the renewable energy sector's growth and development firmly on the government's agenda. This is confirmed by the government's energy strategy, which aims to increase the percentage of renewable energy used in the country to 10% within the next decade.

Concerns regarding the energy crisis in the last few years have led to the creation of several organisations promoting the renewable energy sector in Jordan, most notable of which is the Jordan Renewable Energy Society.

What exactly is renewable energy? In the Renewable Energy Law of 2012 it is defined as: "Energy derived from national resources which have an element of perpetuity and continuance."

Renewable energy in the Kingdom can be divided into the following categories:

1. Solar
2. Wind
3. Bio
4. Hydro
5. Thermal

There are several solar projects in which the government is currently involved. One example is the solar energy project for the generation of electricity through photovoltaic cells. Wind energy is also on the agenda. Bio energy, on the other hand, is one of the smallest contributors to the renewable

energy sector in Jordan. To the best of our knowledge, there is only one company that is presently working on the treatment of organic waste for the production of bio energy.

The renewable energy sector is regulated through legislation, the most recent of which, is the Renewable Energy Law. Other relevant legislation includes the General Electricity Law No. 64 of 2002 and the Licensing of Electricity Companies Regulation No. 76 of 2001.

### **Tax Advantages**

Article 3 of the Income Tax Law No. 28 of 2009 (“Income Tax Law”) states that all income generated within Jordan not clearly exempt by the Income Tax Law or any other legislation, is subject to income tax. Corporate Income Tax rates vary between 14% and 30% depending on the sector in which the company operates. In the renewable energy sector, energy generation companies are subject to a 14% income tax. However, the Council of Ministers may issue a decision granting renewable energy generation companies exemptions from income tax. This was originally included in the draft Renewable Energy Law, which had a provision granting renewable energy generation companies exemption from income tax, for a period of 10 years from the date upon which the company begins to generate renewable energy. However this was removed in order for it to be included in a future piece of legislation which is still being worked on.

Under the Renewable Energy Law both locally manufactured and imported materials and equipment used in the construction of renewable energy power plants are exempt from sales tax and custom duties.

### **Purchase Guarantee**

According to the Renewable Energy Law, the companies licensed in Jordan to distribute energy will be obligated to purchase all the power produced by licensed renewable energy power plants.

Article 10 of the Renewable Energy Law stipulates that the price of electricity generated from renewable energy sources shall be determined by virtue of instructions issued pursuant to the Renewable Energy Law. That said, it should be noted that the aforementioned article states that the prices of electricity to be sold to the licensed distribution companies shall not be less than the purchase price determined by the licensed distribution companies.

### **Other Incentives**

Other incentives under the law include:

1. The cost of connecting the licensed renewable energy power plant to the grid will be borne by the companies licensed in Jordan to distribute energy.
2. A fund called “The Promotion of Renewable Energy and Energy Efficiency Fund” shall be established for the purposes of providing any necessary funding for renewable energy projects, including the granting of loans and guarantees.

### **Conclusion**

The energy sector is one of the most crucial elements of economic, social and environmental growth for the Kingdom. At present, the Jordanian economy is burdened because the country has to purchase much of its energy from abroad. The government is therefore working to promote and support the local production of energy, mainly through local renewable energy options in order to replace the vast majority of imported energy.

This strategy is extremely promising, but the implementation has been slow. This flourishing sector in Jordan should be further supported and we believe that more and more benefits and incentives

will be provided in the future. Foreign energy companies are taking notice of this sector in Jordan and are considering how best to invest in the country.