

National Round Table on Energy Efficiency and Green Finance in the framework of the Mediterranean Sustainable Energy Investment Forums MED SEI

18 October 2022
Rabat, Morocco



In the framework of the meetMED project, the Moroccan Agency for Energy Efficiency (AMEE), the Regional Centre for Renewable Energy and Energy Efficiency (RCREEE) and the Mediterranean Association of National Energy Management Agencies (MEDENER) organized a **National Round Table** on the theme: "**Energy Efficiency and Green Finance in the framework of the MED SEI Forum**", on **18 October 2022** in **Rabat**.

The meetMED II project aims to strengthen the energy security of the beneficiary countries (Morocco, Egypt, Jordan, Lebanon, Libya, Algeria, Palestine, and Tunisia) while promoting their transition towards a low-carbon economy. The project also aims to strengthen the implementation of energy efficiency measures, particularly in the building and household appliance sectors.

In this regard, financial mechanisms are an interesting solution for the development of green projects in Morocco. Public-private partnerships can jointly develop financial instruments and innovative solutions to overcome barriers to investment.

The outcomes and recommendations of this roundtable will pave the way for the development of innovative green finance mechanisms by public and private institutions.

Global Context

Morocco voluntarily adopted an integrated, participatory, and global approach, since 1992, during the Rio Summit, at the UNFCCC, reflecting the challenges and objectives of the National Sustainable Development Strategy (SNDD) which aims to transition the national economy towards a green economy in harmony with international efforts in this field and in accordance with the recommendations of the International Panel of Climate Experts and the sustainable development goals (SDGs).



When the UNFCCC protocol was ratified, Morocco launched several projects to strengthen the regulatory framework and the progressive institutional organization.

The Paris Climate Agreement and the 2030 Agenda of the SDGs constitute two essential benchmarks in strengthening global climate action, the transition to low-emission development and the consolidation of the culture of integrating sustainability into all vital sectors of the national economy.

In this context, Morocco has developed the National Climate Plan (NCP) 2020-2030 which constitutes a convergence framework for the development of a medium- and long-term climate policy and offers the country the opportunity to implement its NDCs. This NCP, whose implementation is based on strengthening governance and mobilising resources to combat climate change, aims to (i) strengthen the capacity to adapt and accelerate the transformation towards a low-emission economy, (ii) implement national climate policies at the local level, (iii) encourage innovation and awareness-raising to better respond to the challenges posed by climate change.

Also, and in accordance with Articles 4.2 and 4.11 of the Paris Agreement, Morocco has revised upwards its ambition to reduce GHG emissions by 45.5% by 2030, instead of 42%, including an unconditional target of 18.3% compared to the baseline scenario, which corresponds to the evolution of emissions in a “business as usual” (BAU). The mitigation scenario leading to the overall target is based on 34 unconditional measures and 27 measures conditional on international finance.

As part of its contribution to achieving the objectives of the Paris Agreement, Morocco has developed an integrated strategy for low-carbon development by 2050, setting out

the broad guidelines for economic sectors that can reduce their carbon footprint by developing renewable energy. A platform has also been developed and put online to serve as the MRV system for Morocco's NDC under the new Enhanced Transparency Framework (ETF) recommended by the Paris Agreement through Article 13. This tool developed and implemented by the Department of Environment in partnership with 4C and UNDP, includes three specific MRV modules, namely "MRV emissions", "MRV actions" and "MRV support".

On the other hand, financing remains a decisive factor for the achievement of these objectives. Therefore, the execution of the NDC requires significant investments that exceed the capacity of any single sector, and thus requires enhanced interaction between the state, the private sector, and international financial institutions including the new climate finance mechanisms.

Event Summary & Recommendations

Task Force 1: Green Bonds

In 2021, globally, the green bond market has exceeded \$600 billion in 2021 to reach more than \$1.5 trillion in cumulative issuance.

In Morocco, sustainable development issuances are as follows:

- MASEN carried out the first green bond issue in Morocco for an amount of MAD 1.15 billion.
- BOA and BP successfully placed nearly 2 billion green bonds with maturities ranging from 5 to 10 years.
- Casablanca Finance City (CFC) issued a Green Bond for an amount of 355 MDH with a maturity of 15 years.
- Groupe Al Omrane launched an issue of ordinary bonds and social & green bonds for a total amount of MAD 1 billion, including MAD 500 million in social & green bonds.
- ONCF launched a bond issue in Green Bonds for a total amount of 1 billion MAD.

The advantages of these types of issuances are:

- Diversification of investors;
- Potential for better financing terms;
- Participation in the achievement of global sustainable development objectives.



To encourage the funding of energy efficiency projects and actions through Green Bond issues, either incentives should be developed, or the existing regulations should be relaxed.

For the incentive suggestions, the working group focused on the following issues:

- The establishment of a warranty system to be supported by Green Bonds;
- The introduction of government incentives such as VAT exemptions or reduction on interest payments.
- Backing domestic Green Bonds with international Greens Bonds.

- o This will address the issue of lack of available capital in local green bonds.

- o Bolster the market of local green bonds.

- Ensure the best attractive return for these sustainable financial instruments

- o Greeniums and other indicators need to be explored in more detail to devise more industry adapted financing.

- Study the feasibility of listing Green Bonds on the Casablanca Stock Exchange.
- Develop communication and awareness of such financial instruments for the benefit of the financial sector, especially the capital market in Morocco.



In terms of regulation, the working group focused on reducing the regulations governing Green Bonds in Morocco through:

- Adapt international standards to the reality of the capital market in Morocco.
- Develop the industry of mutual funds that manage the assets of companies operating in energy efficiency projects and measures.
- Establish a data monitoring system to have a reliable and credible system.
- Develop a taxonomy to qualify energy efficiency projects.

Task Force 2: Energy Efficiency Fund

The establishment of a fund dedicated to energy efficiency in addition to the financial mechanisms already in place would make it possible to target broader categories of companies and to implement energy efficiency on a larger scale by catalysing public and private financing. The optimization of the establishment of this fund calls for the mobilization of several levers and the setting up of the necessary pre-requisites, particularly in terms of:

- Institutional governance for coordination of efforts and effective guidance;
- Structuring the fund by capitalizing on existing mechanisms, in particular the environment and/or industrial depollution fund, possibly in the form of a revolving fund that offers an interesting IRR;

- Legal and regulatory framework through (1) the modification of the law to allow a broadening of the revenue base and a separation of expenses for a better calculation of the IRR of the financed projects, (2) the implementation of a taxonomy and fiscal incentives to improve the attractiveness of energy efficiency projects and to create a pipeline of bankable/eligible projects for the financing of the said fund;
- Capacity building to decrease the cost of technical support to project developers and increase the demand for energy efficiency project financing;
- Innovation through the promotion of research and development and the establishment of a call for projects mechanism for innovative energy efficiency technologies;
- Risk analysis of energy efficiency project Financing to improve the availability of data on the risk/return profiles of energy efficiency projects and to accelerate their implementation.

Other points of reflection raised at the Round Table

- Morocco should adopt a taxonomy of climate change investments in general and energy efficiency measures specifically. This taxonomy will allow for better alignment with the NDC Morocco. It should be noted that this taxonomy should not be too strict, so it won't reduce the pool of investors.
- The feedback is that local market green bonds have raised capital that otherwise would not have been possible with a conventional means of financing.
- Morocco should consider issuing sovereign green bonds. The example of the French government's green bond has helped finance R&D.
- Sovereign bonds will raise significant funds, but most of the eligible projects are in state-owned enterprises, which will be problematic because the state budget can only be channelled to them if we consider that the state will raise capital in its enterprises for specific green projects.
- Morocco has experienced several funds, including the FODEP and the Energy Fund. The latter was a one-time injection of capital and did not deal with replenishment. As such, the funds were allocated to state megaprojects and agency budgets. A consensus is to use existing laws for these funds and amend them as this will be much simpler than

writing new legislation and regulations for these funds.

- A green sovereign bond can serve as a source of capital for the energy fund if it is included in the eligible green budget taxonomy. The biggest threat is the lack of eligible expenditures. This requires a multi-ministerial consultation led by a single entity, ideally the head of government to give it legitimacy and authority.
- The EE fund can also be a banking product operated by Bank al Maghreb for the various communities that can drain funds directly to the budgets of local governments in a specific channel.
- The main point is that the traceability of funds is important and cannot be mixed with other budgets or projects. The fund will need to be able to assess its impact in terms of reducing greenhouse gas emissions.

- Finally, the eligible projects that were discussed concerned only energy and decarbonation. It remains to be seen how to identify biodiversity, more complex adaptation projects. This requires Morocco to develop a pipeline of projects to be implemented as a criterion before the fund is set up. This will reduce the risk of having an unspent budget, which will be costly if the source of the money is a green bond.

Program of the National RoundTable

TIMETABLE	PROGRAM
09H00 – 09H30	Inscription and welcome coffee
09H30 – 10H00	<p>Opening Speeches</p> <ul style="list-style-type: none"> Director General of AMEE: Mr. Saïd Mouline Director General of RCREEE: Dr. Jauad El Kharraz Representative of the Ministry of Economy and Finance. Secretary General of MEDENER: Dr. Roberta Boniotti. Representative of the European Commission.
10H00 – 10H45	<ul style="list-style-type: none"> Analysis of the financing of energy projects and exegetical efficiency measures, Director of the Department of Financial Studies and Forecasts at the Ministry of Economy, Finance and Administration Reform in Morocco, Mounssif Aderkaoui Presentation of the challenges of energy efficiency and green finance and the objectives of the round table: Moderator, Adil Youssfi Access to Financing: Technical Director of the RCREEE, Dr. Maged Mahmoud Presentation of the MED SEI Forum: ENEA Project Leader, Dr. Edoardo Pandolfi Feedback from SEI forums in Europe: Secretary General of MEDENER, Dr. Roberta Boniotti
10H45 – 11H00	Coffee Break
11H00 – 12H30	<p>Round Tables :</p> <ul style="list-style-type: none"> ▶ First Task Force : Green bonds ▶ Second Task Force : Energy Efficiency Fund
12H30 – 13H00	Restitution and results of the round table
13H00 – 13H30	Discussion and Closing
13H30	Lunch