



FOCUS ON HYDROGEN: NAVIGATING MOROCCO'S NEW POLICY

The Morocco Offer (l'Offre Maroc) is the most significant step forward to date for the green hydrogen sector in Morocco and covers the entire green hydrogen value chain. The Moroccan Government announced this long-awaited framework in March 2024. Rather than diving headlong into projects prior to having established a clear set of national goals, Morocco has chosen to develop a comprehensive approach, combining green hydrogen with industrial and infrastructure development. The Morocco Offer responds to the increasing interest of investors and will leverage investment to drive employment and economic development. It focuses on development both horizontally (the full value chain from green power production to value-added manufacture of hydrogen derivative products) and vertically (the development of industries consuming hydrogen or hydrogen derivative products in Morocco).

The Morocco Offer, which is set out in a circular issued by the Head of Government, aims at presenting, in its own words, a "holistic, transparent and pragmatic approach" designed to give investors visibility on: the scope of the Morocco Offer, land, infrastructure for the development of the green hydrogen sector, incentives and the process for selecting investors, as well as the governance of the green hydrogen sector (outlining the respective roles of the Moroccan Agency for Sustainable Energy (MASEN), a Steering Committee in charge of green hydrogen and a Green Hydrogen Investment Committee). This initiative covers a wide range of integrated activities, from the generation of renewable electricity and electrolysis processes to the conversion of green hydrogen into various derivatives, along with the necessary logistics, as well as development further downstream from the green hydrogen value chain of industries consuming green hydrogen and its derivative products in Morocco.

Land Mobilisation

The Moroccan Offer begins with land, and rightly so. Through the Morocco Offer, the government has earmarked approximately one million hectares of land with high potential for green hydrogen production. Beginning with 300,000 hectares divided into sizeable plots of 10,000 to 30,000 hectares, the phased allocation of which reflects the importance of land in developing the green hydrogen industry as well as a response to eliminating land-related uncertainties and delays that sometimes plague large-scale projects in many countries, including Morocco. Overseen by the Ministry of Interior and the

Ministry of Economy and Finance, this approach provides projects with a clear view of land rights from the very beginning, starting with Pre-FEED activities, increasing certainty that land will be available for them to develop and subsequently scale-up successful projects. The commitment to providing large tracts of land to investors, based on the project size and potential, offers a clear signal to investors of Morocco's long-term vision for green hydrogen and its role not only in the global energy transition but also in the Kingdom's development.

Infrastructure

The Morocco Offer recognises the various types of infrastructure necessary for the green hydrogen sector as well as the necessity to avoid overlap, promote efficiency and scale and co-ordinate infrastructure development and operation. Central to the strategy is the focus on promoting the availability and mutualisation of key infrastructure, such as port facilities, hydrogen pipelines and water resources, each of which is pivotal for the sector's success and sustainability.

- *Port Infrastructure:* Recognising the crucial role played by port infrastructure in the global trade of green hydrogen and its derivatives, the government has embarked on detailed studies to upgrade and expand port capacities. Led by the government authority in charge of infrastructure and the National Ports Agency, this effort aims to facilitate efficient export-import operations and to reinforce Morocco's ambition to become a central green hydrogen hub with strong trade links, particularly to Europe.
- *Hydrogen Pipelines:* The authorities have taken on the role of conducting studies leading to a comprehensive national hydrogen pipeline network, intended to connect with Europe's green hydrogen infrastructure. This initiative, driven by energy sector authorities and the National Office of Hydrocarbons and Mines, is pivotal for the secure and efficient transport of green hydrogen.
- *Water Resources:* Acknowledging the significant water demands of green hydrogen production, the Moroccan government has prioritised the integration of water resource management into its infrastructure planning, particularly through the expansion of desalination facilities.
- *Electricity:* The involvement of the National Office of Electricity and Water (ONEE) in enhancing the national electricity grid underscores the importance of reliable energy supplies for green hydrogen production. This initiative not only aims to strengthen the grid's capacity but also opens avenues for private sector investment in renewable energy transmission.

The circular does not set out how this infrastructure construction and enhancement will actually be undertaken. Nevertheless, at this point, it gives investors a good idea of the direction of travel. It sets out the basic principles and orientation for infrastructure (development of infrastructure all along the green hydrogen value chain, its availability to all, and mutualisation) and indicates that MASEN will consolidate information from investors about their infrastructure needs for the purposes of the relevant studies (in respect of sizing, planning and availability deadlines, institutional set-up, legal and financial structuring) and features collaboration across various governmental bodies and agencies, with the goal that development of essential infrastructure

components – port facilities, hydrogen pipelines, electricity and water resources – is synchronised within an integrated, comprehensive framework.

Investor Selection Process

The investor selection process outlined in the Morocco Offer for green hydrogen in Morocco entails a phased approach aimed at engaging and formalising partnerships with investors committed to the development of the green hydrogen sector. At its core, the selection process involves several key steps:

1. *Submission of Proposals:* Investors or consortia interested in developing green hydrogen projects submit their proposals to MASEN. This submission includes detailed information about the investor's financial strength, experience in the energy sector and the potential benefits of their project for Morocco.
2. *Initial Assessment:* Proposals undergo an initial assessment based on predefined criteria, including financial robustness, sectoral experience and the project's alignment with Morocco's green hydrogen ambitions.
3. *Negotiation and Preliminary Contracts:* Selected investors enter negotiations with the Kingdom, and successful negotiations would lead to preliminary contracts of land reservation and outline the commitments of both parties. The goal is to sign preliminary land reservation contracts by end-Q3 2024. These contracts will allow investors to incur the significant expense of preliminary front-end engineering and design studies secure in the knowledge that land has been reserved for their project.
4. *Advanced Studies and Final Agreements:* At the end of the preliminary contracts described above, and assuming the parties have fulfilled their obligations, the Kingdom will evaluate the results of the preliminary studies and the projects of shortlisted investors with the aim of entering into an advanced study agreement with chosen investors to permit them to undertake further studies and a development proposal. The advanced study agreement will contain details of both the Kingdom's and the investor's commitments for this phase, which will include an exclusive, but not yet final, allocation of land and the conditions to be met by the investor in order to receive a final land allocation. The investor will undertake to perform Front End Engineering and Design (FEED) in a maximum of eighteen months, leading to a Final Investment Decision (FID). Most importantly, these advanced study agreements set out the terms and conditions to be met by the investor and agreed by the investor and the state before a definitive framework investment agreement can be concluded.
5. *Investment Framework Agreement:* Projects that successfully pass the advanced study phase and meet all conditions move forward to the investment framework agreement phase. This agreement specifies the comprehensive terms of the project development including an exclusive definitive allocation of land by the Kingdom and an investment programme (costs, timelines, employment, horizontal and vertical integration, financial return for the state, etc.) for the project going forward.

Proposals of investors will be evaluated on technical, financial and environmental grounds along three lines: (i) the horizontal integration – essentially, the infrastructure and investment required for the green hydrogen value chain; and vertical integration – development and promotion of industries using hydrogen or its derivatives in Morocco to create employment, (ii) the effect on the local development of regions in which the green hydrogen

projects are located and (iii) the financial return for the Kingdom in the form of royalties, rent, profit sharing, capital and other returns.

The circular therefore permits a brief but useful overview of the process to be followed, a process that aims at a transparent and methodical evaluation of potential investments providing, on the one hand, investors with a runway for developing projects with increased certainty while, on the other hand, aiming to advance projects that contribute meaningfully to the country's green hydrogen programme and more general economic development.

Incentives

The Morocco Offer incorporates an incentive framework to attract and facilitate investment in the green hydrogen sector, leveraging Morocco's new investment charter. Key incentives include tax and customs benefits, such as import duty exemptions and value-added tax exemptions on both domestically purchased and imported goods. Furthermore, the development of one or more industrial acceleration zones for green hydrogen will offer tax and custom benefits for projects that enhance the sector's local integration, either by supplying hydrogen value chain equipment (horizontal integration) or serving industries that use hydrogen and its derivatives (vertical integration).

Investor Engagement and Governance

In shaping the green hydrogen sector's future, the Morocco Offer outlines a governance structure with the aim of ensuring efficient oversight, coordination, and support for potential investors.

Under this governance framework, MASEN will act as the focal point for investors, offering a single point of contact to streamline the investment process, from initial inquiries to the finalisation of investment agreements. MASEN's role will be all-encompassing, including:

- communicating the Morocco offer to investors,
- initial contact with companies wishing to invest,
- co-ordinating contact between investors and public authorities,
- co-ordinating with the relevant walis and governors regarding allocation of land,
- proposing the allocation of land to the Green Hydrogen Investment Committee (which will examine the proposals and propose them to the Steering Committee for approval or amendment),
- assisting investors with respect to procedures and administrative proceedings,
- consolidating the input from investors with respect to required infrastructure and assisting government authorities regarding the studies to be carried out,
- aligning investors and the government authority in charge of energy as well as ONEE to ensure projects are in line with grid capacity and, where and when necessary, any grid development;
- providing information and proposing preselection investment projects to the Green Hydrogen Investment Committee,
- undertaking competitive and technological studies on the competitiveness of projects, and

- monitoring regulatory issues, including information from investors, international markets and institutions.

Not surprisingly, with MASEN taking such a wide role, the circular invites MASEN to set up a specialised unit with a multidisciplinary team (finance, legal, engineering, construction, development, cooperation, etc.) to support green hydrogen developers.

Supporting and overseeing MASEN in its role are two key committees:

1. *The Steering Committee*, chaired by the Head of Government and comprising various governmental authorities, is tasked with overarching strategic decisions. It preselects investors, approves key contracts, co-ordinates the various stakeholders involved in the Morocco offer, determines priorities and issues directives for the expeditious, efficient and transparent launch of the Morocco Offer, makes strategic decisions and resolves bottlenecks relating to their implementation, communicates the progress of various projects and in general examines all provisions of government policy aimed at promoting green hydrogen in Morocco. This committee will also consider whether there is a need to adapt the Morocco Offer as the green hydrogen market changes. This committee's broad representation from different governmental authorities (interior, finance, infrastructure, water, industry, energy, investment, budget and MASEN) underscores the integrated approach Morocco is adopting for this emerging sector.
2. *The Green Hydrogen Investment Committee*, directly involved with investor relations, complements the Steering Committee's work. Chaired by the government authority in charge of investment, this committee is responsible for all aspects of investor engagement, including proposing preselected projects to the Steering Committee, monitoring project progress, ensuring operational co-ordination amongst the various administrations and stakeholders, ensuring follow-up on various sub-projects and proposing to the Steering Committee potential changes or measures to readjust the Morocco Offer. Most importantly, this committee will lead on the discussions with investors.

This duality appears to aim at transparency, efficiency and strategic alignment, with a clear division of responsibilities to facilitate the sector's development, while giving investors visibility on their interlocutors and clarification of where decision-making power rests.

Outlook for investors

Issued as a circular, the Morocco Offer sets out in broad, high-level terms the regulatory, institutional and infrastructure plans for developing the green hydrogen sector. Use of a circular permits the Kingdom to adopt a pragmatic and flexible approach, allowing it to navigate and adjust plans to the sector's evolving landscape. The Morocco Offer provides potential investors with an overview of the Kingdom's policy goals as well as guidance in respect to institutional issues in order to resolve certain problems faced by investors in the past, for example, on the roles of different authorities, and with regard to land acquisition. It clearly marks Morocco's desire to become a significant player in the green hydrogen sector, both with an eye to exporting hydrogen and hydrogen derivative products and to promoting industrial development and employment in the hydrogen sector and in industries consuming hydrogen in Morocco. In doing so, Morocco is setting the stage for substantial local development and international collaboration in green hydrogen, hoping certainly to repeat the undisputed success of the Kingdom's renewable energy programme.

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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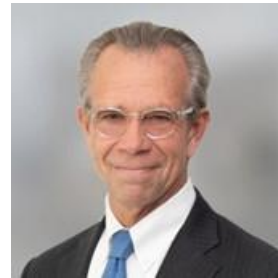
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