



## ABSTRACT

### Draft Law for downstream naturel gas sector

Due to major international changes in energy supply and environmental protection, The Kingdom of Morocco has adopted a strategy to secure its energy supply at the lowest cost, while ensuring its energy transition with foresight and pragmatism.

In this regard, and in order to ensure the growing energy needs, Morocco has set the objective, in addition to the development of renewable energies, of fuel diversification, by increasing the share of natural gas in the energy mix and this , for the following main reasons:

- Respond to the country's growing need for electricity in the medium and long term, and evolve with an annual growth rate of almost 6%;
- Diversify the electricity mix, where its production is currently dominated by the use of coal;
- Respond to the technical constraints resulting from the ramp-up of renewable energies in electricity generation given the problem of intermittency;
- Ensuring the stability of the national power system by using combined cycle technologies that consume natural gas, allowing greater flexibility;

In this context, a national plan for the development of natural gas was developed through the roadmap that was launched on December 16, 2014.

This plan aims at the realization of an integrated "Gas To Power" project including a terminal in Jorf Lasfar for the import of liquefied natural gas (LNG) from 2021, in order to satisfy the needs of the country which are estimated at 5 billion m<sup>3</sup> per year.

To support the implementation of this major project and to be able to control the different activities that form the gas chain: import, regasification, storage, transport and marketing, it is necessary to set up a legislative and regulatory framework, which allows a harmonious development of this sector.

For this reason, this bill has two main objectives:

**First:** The establishment of an adequate organization for the natural gas downstream sector and an appropriate tariff system for a natural gas market still embryonic in the country. The law aims to give a strong signal incentive to investors, especially foreigners, to develop the infrastructure for transmission and distribution networks that are very underdeveloped today;

**Second:** The law also aims to regulate and control these activities in terms of safety and environmental protection.

The draft law defines the main lines of the future organization for the Moroccan downstream gas sector which are as follows:

- The activities forming the gas chain are public services. For this, the State grants concessions for each activity after call for competition.
- A private company that will hold a monopoly over the entire national territory will provide the gas transmission business. The State can participate in the capital of this company by bringing its assets constituted by existing pipelines owned by the State (e.g. Gas Pipeline Maghreb Europe).
- The exercise of the distribution activity will be a monopoly at the level of a consumption zone, which will be delimited in the concession contract.
- Gas pricing to the final consumer (other than ONEE) will be regulated on the basis of an average gas price from the three sources of supply, i.e., LNG import, pipeline import and local gas production.
- The regulation of the gas sector will be ensured by the authority created by the Law 48-15 on the regulation of the electricity sector, which will be modified for this purpose. The National Electricity Regulatory Authority will become "the National Energy Regulatory Authority".