

# CLIMATE INVESTMENT FUNDS

June 13, 2017

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**[APPROVAL BY MAIL]: MOROCCO: NOOR-MIDELT PHASE I CONCENTRATED SOLAR  
POWER PROJECT (CTF)(WB)(AfDB) - XCTFMB106A AND XCTFMB107A**

**WORLD BANK RESPONSE TO COMMENTS FROM UNITED STATES**

1. Masen has adopted a voluntary industrial integration policy in its request for proposal, similar to the approach adopted for and accepted by the Bank and other International Financial Institutions in NOOR-Ouarzazate. In this respect, the NOOR-Midelt RfP only provides that “Masen anticipates that NOOR Midelt Phase I Projects would generate in the renewable energy field in Morocco increasing activities as the Moroccan Solar Plan is being implemented,” noting that “NOORo I has achieved an Industrial Integration Rate of thirty[-]two percent (32%) and the Successful Bidders of NOORo II and III projects have committed on (sic) an Industrial Integration Rate of thirty[-]five percent (35%).”

Nonetheless, the RfP also makes clear that “Bidders’ proposal of any such investment in the first stage of the Tender Procedure is discretionary and voluntary,” (emphasis added) and that “the nature and level of the investment, as reflected in the Industrial Integration Proposal, is left to the complete discretion of the Bidder.” Once a Bidder voluntarily proposes an investment in the Industrial Integration Proposal and such proposal is agreed with Masen as part of the first stage of the Tender Procedure, the proposal becomes an Industrial Integration Undertaking. In other words, Bidders are not obligated to make a proposal, but, once they voluntarily make one in the first stage of the RfP, they are expected to fulfill this proposal, if awarded one of the plants. Evaluation of this proposal in the final bid is “limited to a pass/fail review as to whether it is substantially aligned with the agreement reached with Masen” following the Bidder’s voluntary first stage submission.

2. At the outset, it is important to note that Masen’s industrial integration approach is not a local content requirement. As noted above, the approach is discretionary and voluntary, and the nature and level of any investments proposed is left to the complete discretion of Bidders.

Masen’s industrial integration approach is not tied to any specific component. Industrial Integration Proposals could include Indirect Industrial Integration Measures or Direct Industrial Integration Measures. Indirect measures can be achieved through “investments for the creation of new generation capacity, a maintenance activity, engineering or a research and development center.” Direct measures “correspond to (i) the acquisition of equipment produced in Morocco with a minimum Added Value of 50% in Morocco in relation to the construction of the Plant and (ii) the contracting of services in relation to the construction of the Plant, to be performed locally, with companies incorporated in Morocco[.]” As civil works and certain piping and steel structures are likely to be undertaken by local companies for competitive purposes anyway, it seems logical to expect Bidders to propose some level of at least Direct Industrial Integration Measures.

As for the tariff, Morocco has not adopted a feed-in tariff structure. Instead, tariffs for renewable energy projects, including solar energy projects undertaken by Masen, are determined by competitive bidding.

3. Based on the draft RfP received from Masen thus far, there are no specific anticipated levels for industrial integration proposals for the NOOR Midelt Phase I Projects. Masen instead elected to highlight what bidders on the NOOR Ouarzazate projects have either been able to achieve (in respect of NOOR Ouarzazate Phase I that was commission in 2016) or have committed to achieve (in respect of NOOR Ouarzazate Phase II that is currently under construction) as indicative of achievable levels of local content within a competitive environment on similar projects in Morocco.

4. Regarding advanced manufactured imports, as explained above, Masen’s industrial integration policy is not component-specific.

### **Noor-Ouarzazate (Noor) Local Content by EPC Component**

Noor I and II use parabolic trough (PT) technology, whereas Noor III uses tower technology. These are two types of concentrated solar power (CSP) technologies.

### **For a Tower Project (NOOR III) :**

Please note that the construction of NOOR III is still ongoing, and that the final figures for the industrial integration are not available yet. However, the Project Company committed to an industrial integration level of 35% of the construction costs, whose current breakdown is the following:

	% of Industrial Integration	% of Construction Costs <sup>[1]</sup> (based on the current breakdown and subject to confirmation after the end of the construction period)
CONSTRUCTION AND ERECTION SERVICES	54%	19%
HELIOSTATS STRUCTURES	30%	10%
PIPING AND ELECTRICAL EQUIPMENT	6%	2%
RECEIVER	1%	0,5%
SALT TANKS, WATER TANKS AND RESERVOIRS	8%	3%
STUDIES	1%	0,5%

Please note that such level has been suggested by the Project Company on a voluntary and discretionary basis.

### **For a PT Project:**

For NOOR I project, the final level that has been achieved corresponds to 32% of the construction costs, whose breakdown is the following:

	% of Industrial Integration	% of Construction Costs
SOLAR FIELD COLLECTORS	24%	8%
SALTS AND WATER TANKS AND RESERVOIRS	7%	2%
PIPING AND CABLES	10%	3%
PILING AND CIVIL WORKS	33%	11%
MECHANICAL AND ELECTRICAL ERECTION	26%	8%

Please note that the 32% has been achieved by the Project Company on a voluntary and discretionary basis.

For NOOR II Project, the committed industrial integration level is 35% (set by the Project Company on a voluntary and discretionary basis).

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<sup>[1]</sup> This column adds up to the industrial integration level, in this case 35%.