

Climate change: an opportunity to transform the private sector?

An insight on Morocco's Experience

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KEY TAKEAWAYS

- Engaging private companies is crucial to address African climate issues – it is a challenge but can also be an opportunity to improve productivity by reducing energy costs;
- Morocco provides examples of:
 - o Institutions that allow for dialogues between the private sector and the government,
 - o Companies transitioning towards lower-emission models. This brings them important side-benefits.

INTRODUCTION – THE ROLE OF THE PRIVATE SECTOR IN MOROCCO IN COMBATTING CLIMATE CHANGE

It is crucial to engage the private sector in climate action: companies should adapt their business to the effects of climate change (e.g. extreme weather events) and adopt low-carbon practices in their manufacturing facilities, and generate investments, technology and know-how. This is especially the case for energy companies in Morocco, which are responsible for 62 million tons of CO₂ emissions, out of 88 million tons emitted annually¹. Given the rapid increase of energy demand in Africa, they need to “leapfrog” and aim for low-cost and zero-emission power production and transmission solutions. This is the opportunity for governments to set the conditions for significant higher volumes of low-carbon energy production, whilst this could be the basis for the private sector to engage more and deeper to boost renewable energy to maximize their business case and at the same time to support the country's ambition to accelerate transition towards low carbon economic growth.

This Country Brief reports about two sessions in Morocco, where important progress has been made to engage the private sector in the transition process towards low carbon economic growth. The role of Maghreb steel and the significance of the availability of renewable energy will be highlighted. The Country Brief draws on lessons learned from an event co-organized in 2019 by the Confédération Générale des Entreprises du Maroc (CGEM), the NDC Partnership and the United Nations Development Programme (UNDP). Its purpose is to identify best practices and lessons learnt on how policymakers can engage the private sector in climate action and how this can also benefit private companies.

¹ Greenhouse Gas Emissions and Emissions Targets in Morocco in [NDC Partnership Morocco Country Page](#)

ENGAGING PRIVATE COMPANIES: LESSONS LEARNED FROM MOROCCO

Multi-stakeholder consultations are a first step to engage with non-state actors, including the private sector. They are both essential and beneficial for governments, as shown by the NDC Partnership's recent publications². Regular consultations with the private sector are helpful to strengthen interaction, to create a platform for information sharing, to have a forum for dialogue about new policy initiatives and to create a space to signal potential for new investment opportunities.

Private stakeholder engagement mechanisms

In its NDC, Morocco refers to actions involving the private sector (through the development of public-private partnerships, or the promotion of private wind farms)³. The country is also working on its revised NDC, with the aim of including sectoral targets with specific indicators to track progress. In addition, the country has a network of state-owned and private institutions that ensure long-term commitment of private companies from the energy sector. These enable continuous public-private interactions that help ensure enterprises' contribution to the development of energy policies, but also their commitments to climate mitigation. These Moroccan institutions are listed in the table below.

Among them, the Confédération Générale des Entreprises du Maroc (CGEM) is the main industry association of the country. It is an independent organization (*association* in French) with regular interaction with the government. In 2017, CGEM established the *Initiative Entreprises Climat Maroc* (IECM – in English: Moroccan Business Climate Initiative) which aims to provide facilities to companies regarding outreach, capacity building and support in the domain of climate change. IECM manages approximately fifty facilities/ projects, such as supporting the creation of GHG inventories at the company level or the formulation of funding requests to international donors – for instance, it was in 2019 awarded for its efforts to promote the European Bank for Reconstruction and Development (EBRD)'s Morocco Sustainable Energy Financing Facility (MORSEFF) among its members⁴.

Moroccan agencies that promote energy and climate actions with the private sector

Original Name	Actions	What is the connection between the public and private sector?
Centre de Compétences sur le Changement Climatique, Maroc, 4C Maroc (Climate Change Competence Center of Morocco)	Shares expertise and experience on climate action issues – activities in Morocco and abroad	Public Interest Grouping (<i>groupement d'intérêt public</i>) composed of members from the State, the private sector, civil society and academia
Agence Marocaine de l'Efficacité Energétique, AMEE (Moroccan Agency for Energy Efficiency)	Promotes energy efficiency	State-owned agency that works closely with the private sector.
L'Agence Marocaine pour l'Energie Durable, MASEN (Moroccan Agency for Sustainable Energy)	Promotes renewable energy (see below)	State-owned agency that supports new RE-investments with state-backed guarantees
Office National de l'Electricité et de l'Eau Potable (ONEE) (National Office for Power and Drinkable Water)	Power production, power and water transmission and distribution	State-owned agency that sells energy and drinking water to its clients, including companies.

² Please see the following Insight Briefs: [“NDC Partnership Experience with Multi-Stakeholder Engagement: Key lessons Learned”](#), August 2019 and [“Engaging Subnational Governments in Climate Action. Lessons Learnt from the NDC Partnership”](#), March 2020

³ Kingdom of Morocco (2016), [National Determined Contribution under the UNFCCC](#), UNFCCC.

⁴ More information can be found on the dedicated [website](#).

Association Marocaine de l'Industrie Solaire et Eolienne, AMISOLE (Moroccan association on solar and wind energies)	Promotes Moroccan companies' competences in the field, supports national champions	Industry association that works with the government on the development of regulations.
CGEM (General Confederation of Moroccan Enterprises)	IECM (see above)	Private association, representing the interests of companies. Works with the government on the development of regulations/development of support for companies
Fédération de l'Energie (Energy Federation)	Promotes energy transition	Industry association that works with the government on the development of regulations.

The Moroccan government designed policy tools to accelerate the involvement of private companies in climate projects. This approach is anchored in the NDC. An important instrument is the Build, Operate and Transfer (BOT) model, whereby private companies can receive state concessions that will allow them to invest in power production facilities and to sell the energy for a certain period against an agreed price. Another important tool is the Power-purchase agreement (PPA). A PPA is concluded between a private entity and the government, so that the private company has guaranteed incomes, and this can be used as a key to unlock the necessary investments to finance their own power-generating projects, without further government involvement (see below the example of Maghreb Steel). BTOs and PPAs are the basis to produce 45% of Morocco's renewable energy.

Another instrument has been created to help private companies with the design of new project proposals. For instance, MASEN (see table) supports the realization of projects by providing public finance or state guarantees or by taking equity in the new investment to reduce risks, which private financiers are unable to cover; this will make it possible for private investors to engage their financial means (blended finance)⁵.

At the company level: the multiple benefits of climate actions

Companies have already taken measures to reduce their climate impact. For instance, over the past years Morocco's Maghreb Steel, one of the main actors of the Moroccan heavy industry, has taken a series of measures to promote renewable energy. In 2018, Maghreb Steel conducted a carbon audit, followed by an energy efficiency action plan. This has resulted in improved energy management and an upgrade of its facilities. The company is also increasing the share of wind energy in its electricity mix. The PPA tool, mentioned above plays a crucial role in this energy transition, Maghreb Steel reported a 20% renewable energy share in its energy mix in 2018, a dramatic increase occurred in 2019: 50% of all energy came from renewable energy and Maghreb Steel aims at reaching 80% in 2050. These measures have had positive impacts in the company: its wind energy purchase brought rapid returns on investment and helped reducing its energy bill by a range of 10 to 20%. As energy represents 25% of the overall production costs of the company, reducing its bill allows for significant improvement in terms of productivity. Finally, the company also included a human dimension to the energy transition, by improving security within the production sites, raising environment awareness and providing training to its staff and partners⁶. Through its investments into sustainable energy, Maghreb Steel has therefore managed to combine GHG mitigation and production-cost reduction, increasing its productivity and supporting Morocco's NDC implementation.

⁵ Based on an internal note developed by LEDS GP for the NDC Partnership.

⁶ From a CGEM – NDC Partnership – UNDP webinar on "Retour d'Expérience des Confédérations Générales des Entreprises dans la Lutte contre le Réchauffement Climatique », December 18, 2019.

A source of inspiration for Francophone Africa?

Morocco's situation is very different from other Francophone African countries. The Sub-Saharan region does not have as many big companies in energy-intensive industries as Morocco: companies tend to be smaller, 90% of them being family businesses. In addition, the informal sector represents on average 38% of the GDP⁷. However, other countries have adopted similar approaches to engage the private sector.

Côte d'Ivoire (Ivory Coast) already has an organization similar to the CGEM, the *Confédération Générale des Entreprises de Côte d'Ivoire* (CGECI – Côte d'Ivoire's General Confederation of Enterprises) that set up a Commission on Energy, Quality, Hygiene, Security and Environment (E-QHSE, *Commission Energie – Qualité, Hygiène, Sécurité et Environnement*). Its activities include sectoral watches, collection of relevant data, program evaluations, identification of finance options, and outreach to the national and international relevant organizations.

Mali's Partnership Plan⁸ has embedded the consultation of non-state actors with other actions such as climate project mappings, matching between private companies and the projects from the investment plan. The Plan also includes a detailed list of eleven projects with estimated costing that are looking for investors. Two of these projects consist in renewable energy facilities, with funding already secured from the West African Development Bank and the African Development Bank.

CONCLUSION

The Moroccan experience demonstrates the importance of private sector regular policy consultations to engage companies in climate action. It also shows how companies can reduce both their energy bills and GHG emissions by promoting energy efficiency and renewable energy.

RESOURCES AVAILABLE FROM THE NDC PARTNERSHIP ON PRIVATE SECTOR ENGAGEMENT

Member countries looking for support on ways to engage the private sector can tap into the NDC Partnership resources, and more specifically:

- Access the [Knowledge Portal](#) where they can find number of resources, including:
 - o [Good practices](#) from all around the world on subnational action and integration
 - o A [Climate Toolbox](#) that will provide them with tools, guidance, platforms and advisory support
 - o A [Climate Finance Explorer](#) with financing options for subnational climate action
 - o [Links](#) to other relevant date sources.
- Get in touch with the Partnership membership, for instance with development banks which have a history of engaging the private sector
- Request peer-to-peer exchanges, in order to benefit from the experience of other countries.

⁷ Deloitte (2014) "The private sector, driving force of Africa's growth", Africa CEO Forum.

⁸ A Partnership Plan is a tool to organize a country's NDC priority activities and match them with Partnership member support and in-country stakeholders.

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