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Ensuring the sustainability of Sino-French third-country cooperation: the case of Morocco

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During the Fourth High Level Dialogue on Finance and Economy between France and China (held in Paris on November 14, 2016), the Sino-French Fund for Third Country Cooperation was established, with a total amount of up to €2 billion being injected in the institution (CDC International Capital and China Investment Corporation each injected €150 million). Through this Fund, China and France commit to officially work together to facilitate investments in African and Asian countries.

As foreign aid policies of most developed countries aim at facilitating transition toward sustainable development, the Sino-French third-country investment cooperation is supposed to deliver projects conforming to the 2030 agendas (climate change and Sustainable Development Goals) in recipient countries. This gives France a unique and concrete opportunity to gain some—upstream—understanding and even influence on China's future foreign aid and investment policy (which are usually considered as not totally transparent). An important element to ensure a real success (and avoid the risk of "greenwashing") of the Sino-French Fund is the clear identification of the recipient countries' domestic needs and the examination of the effective complementary contribution of the Sino-French joint investment to achieving these domestic needs. This blogpost analyses the **renewable energy case of Morocco** to open up this discussion.

Renewable energy as a sustainable solution

Morocco has very limited domestic fossil fuel resources and relies heavily on imports, with 91% of its energy supply imported in 2014,[1] which drives most of the country's trade deficit. Therefore, Morocco has decided to increase its share of renewable energy generation to 52% by 2030 (with international financial support), with an additional 10 GW to be installed. This is supposed to decarbonize its energy mix, ensure energy supply security, and reduce trade deficits. In 2012,[2] electricity generation was composed by 43.4% of coal, 25.3% of oil, 22.7% of natural gas, 6% of hydro, and 2.7% wind; this makes the 52% renewable objective a very ambitious one. Wind, solar and hydroelectricity are major solutions for such an ambitious transition. Several projects have been implemented to ensure this energy transition. For example, the Noor One solar project was inaugurated in February 2016: it aims at constructing 160 MW concentrated solar power technology. The Noor Two project is under construction. And five new wind farms deploying a total capacity of 850 MW are also under construction with a record low electricity price of $30/Mwh, which is lower than domestic thermal-powered electricity thanks to the high quality of wind resources. An increasing installation of clean power generation contributes to better access to electricity and lower GHG emissions in electricity sector. It can also ensure a low-carbon industrial production process. For example, Morocco possesses more than 80% of world's global phosphate reserves and it is the world's second largest phosphate fertilizer producer after China. As phosphate fertilizer remains important (and even indispensable) to trigger increases in agricultural production in areas where productivity is currently low, global needs are anticipated to continue to increase in the future.

Renewable energy can supply and enlarge the capacity of this energy-intensive production process, enhance industrial development in Morocco by securing global fertilizer supply, and ensure such an industrial development trajectory is achieved with low GHG emissions. Finally, renewable energy investment is secured against industrial payment. If exported, renewable energy could also stimulate neighboring countries' industrial expansion. In the case of Mauritania, one option would be to ensure iron and steel industry expansion, which has been constrained by the lack of energy supply so far. If supported by clean energy, this industry's development could contribute to increasing local revenue and employment while ensuring zero carbon emissions from electricity use. It might be questioned to what extent this reduction in GHG emissions is enough to put Mauritania on a long term sustainable development pathway, given other potential social and environmental impacts of the iron and steel industry, but considering the limited resources on which the country has to rely, decarbonizing the industrial expansion of these sectors could well be the most sustainable solution, at least for the next decades. In addition, such integration can secure renewable energy investment return for Morocco, as electricity will be paid back by Mauritanian industries.

Sino-French cooperation in Morocco's energy transition

Pursuing the general goal of contributing to sustainable transition with concrete renewable energy targets, the Sino-French third-country cooperation can help accelerate Morocco's energy transition. On the one hand, following

Morocco’s King Mohamed VI's official visit in China in May 2016, Morocco and China agreed to strengthen mutual investments. China can provide renewable energy equipment with (relatively) low price, thus supporting Morocco's energy transition, with a possible further scenario of installing production chains of wind and/or solar power equipment in Morocco to stimulate local employment. On the other side, France has project management experience in Morocco (in terms of conforming to social and environmental standards) and a good understanding of cultural and legal aspects in Morocco, which could help prevent potential project risks/delays. This know-how could complement Chinese investors' potential lack due to relatively low investment activities in Morocco (for example, in 2011, total inward Chinese foreign direct investment in Morocco amounted to $11.4 million, compared to $2.22 billion in 22 Arab countries), and thus improve projects’ viability. In terms of renewable energy investment, a recent independent study has shown that there existed no difference in terms of social and environmental impacts between a Chinese (HydroChina: Adama Wind Farm) and a French (Vergnet: Ashegoda Wind Farm) wind power investment project in Ethiopia. This constitutes an indication, among others, that further joint investments in renewable energy will be able to converge on social and environmental standards between China and France.

Based on this complementarity between China and France, and on Morocco’s need of renewable energy, the joint Fund can contribute to setting up a joint Sino-French renewable energy program in (but not only in) Morocco with an initial financial support that triggers further private sector investments backed by Morocco's domestic reimbursement capacity. The Fund can facilitate the design of an integrated renewable energy plan, which defines end-use trajectories of renewable energy. This in turn can provide the opportunity of a convergence process on green and sustainable finance for the implementation of the SDG Agenda between China and France. As for green finance development and practice, a dialogue between France, China and Morocco in the framework of a Sino-French third country cooperation can also contribute to strengthening Moroccan domestic capacity on this matter. [1] International Energy Agency (2014), *Morocco In-Depth Energy Review*. [2] Idem.

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