

Egypt Solar Energy Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Egyptian solar market is expected to register a CAGR of more than 8% during the forecast period, 2022-2027. The COVID-19 pandemic had a major impact on the market as the country canceled many tenders/auctions, and projects were postponed due to lower electricity demand. Factors such as supportive government policies and incentives for the solar sector and rapidly declining prices of solar modules are expected to drive the market. However, insufficient domestic manufacturing capacity of solar panels and related hardware and dependence on imports, which is subject to supply chain disruptions, are expected to restrain the growth of the market during the forecast period.

Key Highlights

Due to the falling costs of solar photovoltaic panels and associated hardware, the photovoltaic segment is expected to dominate the market during the forecast period.

The geography of Egypt consists of large tracts of uninhabited desert land in the Suez peninsula and the western desert with solar photovoltaic potential in excess of 2000 kWh/KWp/year. The maximization of the utilization of the natural geography and the high domestic solar potential of Egypt are expected to provide significant growth opportunities for the Egyptian solar market beyond the forecast period.

Supportive government policies and initiatives for the development and adoption of solar energy are expected to drive the market for solar energy across all end-user segments.

Egypt Solar Energy Market Trends

Solar Photovoltaic (PV) Technology to Dominate the Market

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During the last decade, global solar photovoltaic module prices have fallen by nearly 80%. Due to the fall in the cost of photovoltaic (PV) panels, solar project developers in Egypt have been able to reduce capital costs for PV projects, making them more affordable for residential and commercial customers. Additionally, it has also reduced the Levelised Cost of Electricity (LCOE) from large utility-scale projects such as Benban Solar Park. The fall in the cost of solar PV panels has led to the dominance of the solar PV segment in the Egyptian solar energy market.

It is estimated that as of Q3 2020, nearly 90% of the total installed solar capacity in Egypt came from solar PV.

Most of this new solar PV capacity has come from the 1.4 GW Benban Solar Park in the Aswan Governorate, which is the largest solar park in Africa and one of the largest globally. The solar park houses 32 solar projects with a cumulative capacity of 1465 MW, developed under the Egyptian Feed-in Tariff Framework. Construction of the park began in 2018 and was completed in late 2019, and since then has been supplying clean energy to Egypt's national grid.

In addition to this, other large utility-scale solar PV projects, such as the 200 MW Kom Ombo PV plant, are also under development. The project is being developed by Saudi Arabia's ACWA Power, which signed a 25-year Power Purchase Agreement (PPA) with the Egyptian Electricity Transmission Company (EETC), and construction on the project began in Q3 2021.

Therefore, due to the falling costs of solar PV panels and the ongoing development of large utility-scale solar PV projects in Egypt, the solar PV segment is expected to dominate the market during the forecast period.

Supportive Government Policies and Initiatives Driving the Market Demand

One of the primary reasons for the rapid growth of the Egyptian solar market has been the support provided by the Egyptian government in the form of favorable incentives and policies. The government has formulated plans under its National Renewable Energy Strategy to increase the share of renewable energy in the national energy mix to 20% by 2022 and further double it to 42% by 2035. To achieve these goals, the government has also been regularly updating its solar energy policy to maximize the growth of the sector according to market conditions. Egyptian government agencies have also been actively involved in the adoption and commercialization of smaller solar PV systems for residential, commercial, and industrial customers.

In March 2022, the Egyptian Electric Utility & Consumer Protection Regulatory Agency (Egyptera) approved new incentives for net metering and self-consumption solar power systems for supporting utility-scale solar project developers. These incentives have been approved as a part of an effort to encourage investments in the renewable energy sector ahead of COP27 in November 2022.

According to the new incentives, Egyptera has decided to entirely remove the cap on the amount of solar energy private-sector players can generate under net metering, which had restricted installed solar capacity per distribution company at 1.5% of the company's maximum distribution capacity during the previous fiscal year.

The new amendments have also raised the limit on the aggregate capacity of all developers across the country under the net metering scheme from 300 MW previously to 1 GW. Additionally, the ministry has also decided to raise the cutoff capacity for projects obliged to pay integration fees from 500 kW to 1 MW. Project developers developing projects with capacities in excess of 1 MW have to pay an integration fee of EGP 0.257- 0.329 per KWh to help defray the costs of connecting to the national grid. For small-scale consumers, Egypt's New and Renewable Energy Authority (NREA) has created the National Project Grid-Connected Small-Scale Photovoltaic Systems (Egypt-PV) to promote the design and implementation of small-scale solar systems with capacities less than 500 kW. The program consists of the creation of replicable models, providing technical and financial support for such projects, and supporting the development of the solar PV market in Egypt.

The Egypt PV project is implemented by the Industrial Modernization Center (IMC) in cooperation with the United Nations Development Program (UNDP) and funded by the Global Environment Facility (GEF). Overall, the project has provided technical and financial support to a total capacity of about 10 MW with total investments amounting to EGP 140 million, of which EGP 19 million are non-refundable grants.

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Egypt PV has already provided technical and financial assistance for about 150 pilot PV projects in various sectors such as industrial, educational, commercial, public, tourism, and residential sectors. In 2020, 123 solar PV projects with capacities between 5-500 kW were completed across Egypt, with many other projects under progress. According to NREA, these projects have led to annual power savings of nearly 14.8 GWh.

A constant updation of market policies according to the market environment and supportive government policies and incentives for both small-scale and utility-scale solar project owners, such as the Egypt-PV program, are expected to provide a considerable impetus to the Egypt Solar Market during the forecast period.

Egypt Solar Energy Market Competitor Analysis

The Egyptian solar energy market is moderately concentrated. Some of the key players in the market are Canadian Solar Inc., JinkoSolar Holding Co. Ltd, ACWA Power Co., Masdar (Abu Dhabi Future Energy Company), and Cairo Solar.

Additional Benefits:

The market estimate (ME) sheet in Excel format
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Table of Contents:

1 INTRODUCTION

- 1.1 Scope of the Study
- 1.2 Market Definition
- 1.3 Study Assumptions

2 EXECUTIVE SUMMARY

3 RESEARCH METHODOLOGY

4 MARKET OVERVIEW

- 4.1 Introduction
- 4.2 Electricity Generation Mix, 2021
- 4.3 Renewable Energy Mix, 2021
- 4.4 Solar Energy Installed Capacity and Forecast, in MW, till 2027
- 4.5 Recent Trends and Developments
- 4.6 Government Policies and Regulations
- 4.7 Key Projects Information
- 4.8 Market Dynamics
 - 4.8.1 Drivers
 - 4.8.2 Restraints
- 4.9 Supply Chain Analysis
- 4.10 PESTLE Analysis

5 MARKET SEGMENTATION

- 5.1 Technology
 - 5.1.1 Solar Photovoltaic (PV)
 - 5.1.2 Concentrated Solar Power (CSP)

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5.2 Deployment

5.2.1 On-grid

5.2.2 Off-grid

6 COMPETITIVE LANDSCAPE

6.1 Mergers and Acquisitions, Collaborations, Joint Ventures, and Agreements

6.2 Strategies Adopted by Leading Players

6.3 Company Profiles

6.3.1 Egyptian Electricity Holding Company

6.3.2 KarmSolar

6.3.3 Infinity Solar

6.3.4 Cairo Solar

6.3.5 SolarizEgypt

6.3.6 ACWA Power Co

6.3.7 Canadian Solar Inc.

6.3.8 JinkoSolar Holding Co. Ltd

6.3.9 Abengoa SA

6.3.10 Masdar (Abu Dhabi Future Energy Company)

6.3.11 EDF Group

7 MARKET OPPORTUNITIES AND FUTURE TRENDS

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