

EGYPT'S EVOLVING POLICY FRAMEWORK FOR ELECTRIC VEHICLES



LYNX Business Bulletin

November 2020



OVERVIEW

The Government of Egypt (GoE) continues to signal a strong determination to increase dependency on electric vehicles (EVs) in Egypt, including by creating an enabling environment for EV local manufacturing and the gradual roll-out of a framework for EVs licensing and operation. So far, the framework has included custom breaks for importing EVs and their local components as well as setting a competitive tariff for electric charging. Efforts are also underway to enhance Egypt's electric charging infrastructure.

This Business Bulletin lays out the main elements of the policy framework for the EVs industry in Egypt, as announced by the GoE.



CUSTOMS

- **In March 2018**, the Minister of Trade and Industry issued a decree exempting imported used EVs from custom duties (on condition that they are no more than 3 years old). Egyptian regulations do not permit the import of used cars. However, an exception was made for EVs to encourage their use and enhance future market opportunities for the industry.
- **On September 17, 2020**, the President issued a decree (#549/2020) designed to encourage the local assembly of EVs, including by expanding the list of eligible importers to include companies involved in the manufacture and assembly of EVs. The decree:
 1. Cut the total value of local content needed to qualify for customs breaks on components imported for locally-assembled cars to 10%. (Under a 2018 decree, importers were able to claim customs discounts of up to 90% provided local content accounted for a minimum of 30% of the finished product.)
 2. Rolled out discounts applicable to imported components used in setting up EV charging (or natural gas refuelling) stations, inputs brought in to outfit cars with dual-fuel, electric, or natural gas engines, and parts used to set up renewable energy plants.
 3. Importers of those components- subject to a 2% tariff- will be eligible for customs breaks on a sliding scale provided they're engaged in domestic manufacturing or assembly. How much of a break the importers receive will depend on the percentage of locally-sourced inputs used in their final products. At the same time, the percentage of local manufacturing will be calculated according to the percentage of the assembly line contribution, as determined by a Ministry of Trade and Industry decision for each assembly industry separately. This will run in addition to the percentage of locally manufactured parts to the total of the complete parts that make up the final product, as determined by the Industrial Development Authority (IDA).
 4. The decree included specific exemptions on imported local components and equipment used in the manufacturing of EVs.
 5. Custom duties (30%) were imposed on electric vehicles (HS 8702) carrying 10 persons or more (to enhance local EV assembly). These duties do not apply on imports from countries with which Egypt has free trade arrangements, such as the EU.



Percentage of Local Manufacturing	Custom Duty Cuts
If the percentage of local manufacturing ranges between 10-20%	105% of the value of local manufacturing inputs
If the percentage of local manufacturing ranges between 20-30%	110% of the value of local manufacturing inputs
If the percentage of local manufacturing ranges between 30-40%	115% of the value of local manufacturing inputs
If the percentage of local manufacturing ranges between 40-60%	120% of the value of local manufacturing inputs
If the percentage of local manufacturing exceeds 60%	130% of the value of local manufacturing inputs with a maximum of 90% of the tax category on the final product



ELECTRIC CHARGING TARIFF

- The GoE announced that it would not provide subsidized EV charging.
- The Cabinet of Ministers is expected to consider the following licensing and pricing framework and tariff structure for EVs, which was developed by the GoE in collaboration with electric charging companies and approved by the House of Representatives' Industry Committee:
 - The Egyptian Electricity Utility and Consumer Protection Regulatory Agency (EGYPTERA) will set, each year, the prices for charging EVs. EGYPTERA will also be mandated with the issuance of licenses for charging stations. EGYPTERA will issue one-year licenses to interested operators as part of an early "transitional" period. When the temporary licenses expire, the operator will be eligible for five-year licenses that will renew automatically upon expiry. These licenses are expected to cost EGP 50,000.
 - Only licensed operators and investors will be allowed to run charging stations, provided they sign long-term contracts with electricity companies. Those contracts shall specify the price at which the operators can purchase electricity from distributors, as well as set profit margins when stations sell to customers. Operators looking to sign contracts will also need to specify the number and specifications of charging stations and docks they're looking to supply.

The proposed preliminary tariff framework during the first year:

Personal EV owners charging at home	→	To pay the typical electricity costs for household consumption.
Commercial EV station operators (22 kW capacity)	→	To be charged EGP 1.213 per kWh + to pay service fees 0.47 per kWh + those in areas exempt from land use fees will be allowed to sell to customers at EGP 1.69, while those who pay land use fees will sell to customers at up to EGP 1.89.
Operators using faster charges (50 kW capacity)	→	Will be allowed to charge a higher premium + pay distributors EGP 1.213 per kWh + a service fee of EGP 253.7 per kWh + permitted to price a kWh of charging at EGP 3.75 when selling to end-users.
Cairo and Alexandria public transport authorities	→	To be subject to a special tariff (to encourage the utilization of electric buses.). To be charged EGP 1 per kWh for medium-voltage and EGP 1.21 for low-voltage.



CHALLENGES

- **Licensing** → Egypt lacks a clear framework for licensing imported EVs as they're not categorically recognized in the customs regime and lack a clear licensing mechanism. The General Traffic Directorate has resorted to a method of calculating the motor equivalent of petrol engines to determine licensing fees for EVs, but this resulted in inaccurate and inconsistent fees in the view of many importers and customers. At the same time, the Directorate has been offering temporary license plates and registration for EV owners as a workaround, but it's not a long-term solution
- **Pricing** → the pricing of electric vehicles, until purchase price parity is reached.
- **Electric Charging** → Egypt is currently developing a plan to build and distribute electric charging stations across different governorates to meet the expected rising demand. According to GoE statements, the objective is to build 1,000 fast charging stations within the next three years.



INCENTIVES

General Incentives

- All investment projects (except for free zone projects) benefit from general incentives under Investment Law 72/2017.
- These incentives include: (1) A fixed 2% customs fees on all imported machinery and equipment, (2) Exemption from stamp tax and registration fees on all incorporation contracts, finance and mortgage contracts for 5 years from registration on the commercial registry.

Additional Incentives

According to unconfirmed press reports, the following additional incentives are also being considered by the GoE to enhance the local manufacturing of EVs:

- Subsidies of approximately EGP 50,000 per EV for the first 100,000 locally produced cars.
- Public sector companies will be required to replace 5% of their fleet with EVs on a yearly basis.
- A specific program to provide financing for electric taxi purchases.
- A separate financing program for purchases of personal EVs



MAIN INDUSTRY PLAYERS

ELECTRIC CHARGING

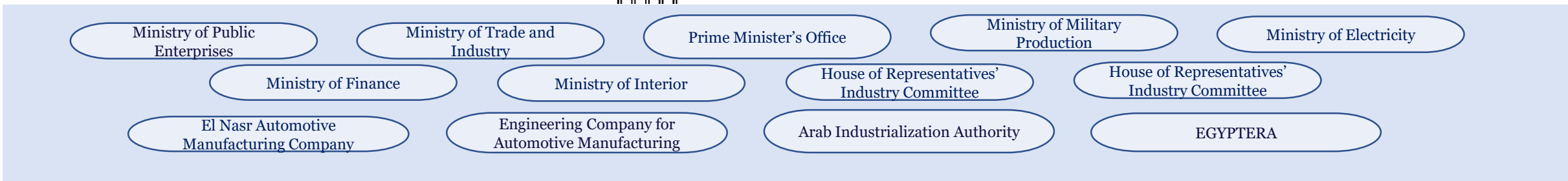
- **Revolta Egypt** continues to build a network of charging stations across Egypt (more than 130 stations in 18 cities). It has announced plans to increase this figure to 690 stations by the end of 2020.
- **Infinity-Energy** earmarked a USD 60 million investment from the European Bank for Reconstruction and Development for EV charging stations. Infinity-E has since set up over 30 electric charging stations, mostly in Cairo and Giza, and plans to bring the total number of electric charging stations to 100 by the end of the year.
- **Schneider Electric** has been aiding companies in developing programs for public charging solutions that can be monetized. The company is also helping businesses that run EV fleets reduce total operating costs.
- **Ministry of Public Enterprises** is exploring means of adding EV charging stations in Cairo.
- **National Authority for Military Production** signed on October 1, 2019 a Memorandum of Understanding with Scottish energy company SSE and Marathon International Ltd. to build a factory in Egypt that manufactures electric vehicle charging stations and recycles vehicle batteries.

MANUFACTURING

- **Dong Feng Motor Corporation:** leading Chinese vehicle manufacturer, signed an MoU with the Holding Company for Metallurgical Industries on June 18, 2020 to produce E70 Dong Feng EVs at El Nasr Automotive Manufacturing Company, with the aim of reaching a production capacity of 25,000 electric vehicles per year starting at the last quarter of 2021. The local distributor of China's Dong Feng cars, Dershal, had announced plans to invest USD 53 million in 2018 to begin assembling electric cars in Egypt before their plans stalled.
- **Geely:** Chinese car manufacturer, which has also signed an MoU with the National Organization for Military Production to manufacture EV locally.
- **Foton Motor:** signed an agreement with the Ministry of Military Production in April 2020 to produce 2,000 electric buses over four years. The electric bus production will be conducted through a collaboration between the Ministry of Military Production, the Egyptian company IMUT (International Marathon United Technologies) and Foton Motor. The manufacturing process will take place at the military owned Tank Production and Repair Company (Factory 200).



STAKEHOLDERS



Thank you

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