**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 22 July 2026[1]

TUNISIA

TATAOUINE BESS AND SOLAR

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

[1] As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

Acronym (A–H)	Definition
BCF	Blended Concessional Finance
BESS	Battery Energy Storage System
BMI	Business Monitor International
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CCTP	Cahier des Clauses Techniques Particulières (Technical Specifications)
COD	Commercial Operation Date
CTF GESP	Clean Technology Fund – Global Energy Storage Programme
DCF	Discounted Cash Flow
DFI	Development Finance Institution
DSCR	Debt Service Coverage Ratio
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EIB	European Investment Bank
EIU	Economist Intelligence Unit
EPC	Engineering, Procurement and Construction
ERP	Enterprise Resource Planning
ESAP	Environmental and Social Action Plan
ESIA	Environmental and Social Impact Assessment
E&S	Environmental and Social
EUR	EURO
ENVITECC	Environment and Technology Transfer Programme
FDI	Foreign Direct Investment
FIDIC	International Federation of Consulting Engineers
FX	Foreign Exchange
GDP	Gross Domestic Product
GEC	Grant Equivalent Calculator
GEF	Global Environment Facility
GESP	Global Energy Storage Programme
GET	Green Economy Transition
GHG	Greenhouse Gas
GW	Gigawatt
HV	High Voltage
HVDC	High Voltage Direct Current
IEC	International Electrotechnical Commission

Acronym (I–Z)	Definition
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IPP	Independent Power Producer
ISA	International Society of Automation
ISO	International Organization for Standardization
KPI	Key Performance Indicator
LPG	Liquefied Petroleum Gas
MIME	Ministry of Industry, Mines and Energy
MV	Medium Voltage
MW	Megawatt
NTN	New Transaction Notification
OEM	Original Equipment Manufacturer
OPGW	Optical Ground Wire
OPEX	Operating Expenditure
OPIP	Operational Improvement Plan
PCB	Polychlorinated Biphenyls
PCS	Power Conversion System
PPA	Power Purchase Agreement
SSF	Shareholder Special Fund
STEG	Société Tunisienne de l'Électricité et du Gaz
TC	Technical Cooperation
TBEA	Tianjin Electric Power Construction
TCE	Average Power Interruption Duration (Temps de Coupure Équivalent)
TCRS	Technical Cooperation Reporting System
TEREG	Tunisia Energy Reliability, Efficiency, and Governance Improvement Programme
TI	Transition Impact
TN	Technical Note
TND	Tunisian Dinar
USD	United States Dollar
YTD	Year to Date

CURRENCY CONVERSIONS

Country's Currency Unit	=	Tunisian Dinar (TND)
EUR 1	=	TND 3.361 as of 22 June 2026

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concern an operation in favour of Société Tunisienne de l'Électricité et du Gaz ("STEG" or the "Company"), Tunisia's state-owned national utility responsible for electricity and gas generation, transmission and distribution, are submitted for consideration by the Board of Directors.

The proposed operation consists of a sovereign-guaranteed loan of up to EUR 30 million, backed by the Republic of Tunisia to finance the development, construction and operation of a 50 MWac solar photovoltaic power plant integrated with a 10 MW / 20 MWh battery energy storage system ("BESS") and an associated 1.2 km high-voltage transmission line connecting the facility to the national grid, located in the Beni Mhira region, Governorate of Tataouine, in southern Tunisia (the "Project"). The Bank's loan is expected to be cofinanced by a EUR 20 million sovereign-guaranteed concessional loan mobilised from the Clean Technology Fund - Global Energy Storage Programme ("CTF GESP").

The Project represents Tunisia's first utility-scale BESS deployment and forms part of STEG's broader programme to strengthen the power system's reliability. By combining domestic solar generation with battery storage, the Project will reduce reliance on imported fossil fuel-based generation, support system flexibility and system resilience and contribute to Tunisia's energy-security objectives in a context of heightened volatility in international energy markets. As Tunisia's first utility-scale BESS deployment, and given STEG's role as national utility, grid operator and single buyer, the Project is expected to provide an operational reference case for future storage-enabled renewable energy infrastructure, including future private-sector storage projects.

The expected transition impact derives from the increase in renewable electricity generation, the deployment of energy storage capacity enabling more efficient integration of solar power into the national grid and the strengthening of Tunisia's system resilience. The Project contributes to Tunisia's transition to a low-carbon economy under the *Green* quality and it is 100% GET-aligned, with estimated annual CO_2 emissions savings of approximately 50ktonnes. The Project also supports the *Resilient* quality by improving grid flexibility, enabling higher integration of intermittent renewable energy and strengthening system stability through battery storage. In addition, the Project is tagged under Economic Governance, reflecting its contribution, through dedicated technical assistance, aimed at strengthening STEG's institutional and operational capacity, readiness to implement energy storage solutions and support future public and private projects.

TC support for this operation will include TCs financed by EBRD Shareholder Special Fund ("SSF"): (i) project implementation support, (ii) digital transformation through ERP implementation support, (iii) OPIP technical assistance for BESS-related institutional strengthening; and a targeted GEF ENVITECC funded support for the identification and management of PCB-contaminated equipment.

I am satisfied that the Project is consistent with the Bank's Energy Sector Strategy, the Strategy for Tunisia, and the EBRD Approach to Accelerating the Digital Transition 2021-2025. It is also consistent with the Green Economy Transition Approach and contributes to several UN Sustainable Development Goals, including SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), and SDG 13 (Climate Action).

I therefore recommend that the Board approve the proposed loan substantially on the terms set out in the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

Tunisia – Tataouine BESS and Solar - DTM 56916	
Transaction / Board Decision	Board approval[2] is sought for a sovereign-guaranteed senior loan of up to EUR 30 million (the "Loan") in favour of Société Tunisienne de l'Électricité et du Gaz ("STEG" or the "Borrower" or the "Company") to finance the development, construction, and operation of a 50 MWac solar photovoltaic power plant integrated with a co-located 10 MW / 20 MWh battery energy storage system ("BESS") and an associated 1.2 km high-voltage transmission line, located in the Beni Mhira region, in the southern Tunisia (the "Project"). The Project is expected to be co-financed by a EUR 20 million sovereign-guaranteed concessional loan mobilised from the Clean Technology Fund – Global Energy Storage Programme ("CTF GESP"). Board approval is also sought for the EUR 3.5 million technical cooperation grant from the EBRD SSF Work Plan 2026-27.
Client	STEG is Tunisia's fully state-owned vertically integrated national electricity and gas utility company. The Borrower is a public company with financial autonomy placed under the Ministry of Industry, Mines and Energy ("MIME"). The loan will be guaranteed by the Republic of Tunisia.
Main Elements of the Proposal	**Transition impact:** *Primary Quality - Green:* 100% of the Bank's proceeds will finance a 10 MW / 2-hour battery storage system and 50 MWac of solar capacity. The Project will reduce CO_2 emissions by around 50k tCO_2 per year and is fully GET-aligned. It will introduce Tunisia's first utility-scale BESS deployment addressing renewable intermittency and enabling wider deployment. *Secondary Quality – Resilient:* The Project will deploy BESS to strengthen grid resilience, reduce renewable curtailment, and support Tunisia's energy transition. The Project qualifies for an *Economic Governance tag*, supported by TC aimed at strengthening STEG's technical, contractual and operational frameworks for integrating utility-scale and third-party BESS. **Additionality:** (i) Financing structure: provision of long-term financing with extended tenor and grace period, ensuring affordability and financial viability; (ii) Sector and institutional change: support for a structured framework for battery storage integration, strengthening STEG's capacity and coordination and creating a reference model for future public and private storage projects; (iii) Knowledge, innovation and capacity building: targeted TC, including support for digital transformation and the identification and management of PCB-contaminated equipment. **Sound banking:** The loan will be supported by a sovereign guarantee from the Republic of Tunisia, mitigating the debt repayment risk. Sovereign risk is considered acceptable considering improving external balances and fiscal performance.
Key Risks	**Credit Risk:** [REDACTED] **Technology Risk**: While the battery storage technology is internationally proven, the Project introduces Tunisia's first utility-scale BESS deployment. *Mitigant:* procurement from an experienced OEM, supported by performance and availability warranties and a battery augmentation strategy embedded in the O&M framework. **Implementation Risk**: Given the early-stage nature of utility scale BESS deployment in Tunisia, delays or cost overruns may occur. *Mitigant*: delivery by a dedicated PIU supported by an external consultant[REDACTED]. [REDACATED]
Strategic Fit Summary	The Project is consistent with the Bank's Energy Sector Strategy, the Strategy for Tunisia, and the EBRD Approach to Accelerating the Digital Transition 2021-2025, the Management Approach to Cybersecurity in Sustainable Infrastructure, and the Green Economy Transition 2030 Strategy.

[2] Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A sovereign-guaranteed senior loan of up to EUR 30 million (the "Loan") in favour of STEG, the state-owned national electricity and gas utility, combined with a EUR 20 million sovereign-guaranteed concessional loan mobilised from the CTF GESP, to finance the development, construction, and operation of a 50 MWac solar photovoltaic power plant integrated with a co-located 10 MW/20 MWh BESS and an associated 1.2 km, 225 kV high-voltage transmission line connecting the facility to the national grid, located in the Beni Mhira region, Governorate of Tataouine, in the south of Tunisia (the "Project"). This is Tunisia's first utility-scale BESS deployment. It forms part of STEG's broader 380 MWac solar and 100 MWh BESS development programme launched in 2025.
Mutual Reliance	No
Existing Exposure	The Bank's direct exposure to STEG (sovereign-guaranteed) stands at EUR 324.6 million and operating assets at EUR 236.6m. The Bank's sovereign portfolio exposure in Tunisia stands at EUR 930 million and operating assets at EUR 415 million as of May 2026.
Maturity / Exit / Repayment	Loan tenor of up to 18 years[REDACTED]. CTF concessional loan tenor of up to 18 years[REDACTED].
Potential AMI eligible financing	N/A
Use of Proceeds - Description	The loan proceeds will finance the Project, which encompasses the design, equipment supply, construction, installation, testing, and commissioning of a 50 MWac solar PV plant, a 10 MW / 20 MWh BESS unit, and a 1.2 km 225 kV high-voltage transmission line connecting the facility to the national grid.
Financing Plan	[REDACTED]
Key Parties Involved	Borrower: STEG Guarantor: Republic of Tunisia Concessional loan donor: CTF GESP
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign guarantee.
Other material agreements	N/A
Associated Donor Funded TC and Blended Concessional Finance	**A. Technical Cooperation (TC)** ***Pre-signing TCs*:** **TC1: Due Diligence and Project Preparation:** The Bank engaged consultants for technical, E&S, and financial/economic due diligence, each budgeted at EUR 75,000, for a total of EUR 225,000 funded by the SSF. These assignments supported project preparation, appraisal and implementation readiness. **TC2: Management of Polychlorinated Biphenyls ("PCB") Contaminated Equipment:** The Bank is providing targeted TC to support STEG in identifying, handling and safely managing PCB-containing equipment in line with international EHS standards. The TC budget is EUR 250,970, funded by the GEF Investment Special Fund.

	<u>TC3:</u> ERP Implementation Support: The Bank will support implementation of STEG's ERP system, financed through a EUR 20 million EU grant under the 2020 STEG Stabilisation and Restructuring Facility, to strengthen operational efficiency, internal controls and financial management. The TC budget is EUR 1.5 million, expected to be funded by the EBRD SSF. ***Post-signing TCs*:** **<u>TC4</u>: Support to the PIU:** The Bank will support STEG's PIU in procurement, contract management, construction supervision and E&S compliance monitoring to ensure timely implementation in line with EBRD standards. The TC budget is EUR 2 million, expected to be funded by the EBRD SSF. **<u>TC5:</u> Operational Performance Improvement Programme -OPIP :** The Bank will support STEG to roll-out OPIP to strengthen the Borrower capacity in defining, testing and operationalising technical, contractual and operational frameworks for the safe and efficient integration of utility-scale and third-party BESS into the Tunisian power system, using the Tataouine BESS and Solar Project as a primary reference case for its own projects, without neglecting the specificities of the upcoming third party installations. The total budget is EUR 230,000. **B. Blended Concessional Finance** **1. Type of concessional finance:** concessional loan. **2. Main objective and rationale for concessional finance and how it supports investment:** the concessional finance is intended to address bankability constraints and enhance the project's transition impact beyond what could be achieved through EBRD commercial financing alone. The concessional tranche reduces the overall cost of financing, helping improve the Project's affordability and ensure economic viability and affordability, enabling a competitive levelised cost of electricity (LCOE)[REDACTED]. In addition, the concessional financing supports Tunisia's energy security objectives at a time of high dependence on imported fossil fuels, contributes to the scaling-up of renewable energy and BESS, and helps STEG build operational and technical experience with BESS technology ahead of future private sector participation. **3. Funding source:** CTF – GESP. **4.** EUR 20 million from CTF GESP, contributing to a total project loan of EUR 50 million. **5. Funding status:** Expected [REDACTED]
[REDACTED]	

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Tunisia's power system remains structurally dependent on fossil fuels, with natural gas accounting for around 91 per cent of electricity generation in 2024. Almost half of the country's gas supply is imported from Algeria via a single supply corridor, exposing Tunisia to significant energy security, fiscal and external vulnerabilities. This dependence places sustained pressure on public finances, [REDACTED], while fuel imports continue to weigh on foreign exchange reserves. Given Tunisia's limited strategic gas reserves and high dependence on imported fuel, any disruption linked to price shocks, contractual issues or regional instability can have immediate implications for electricity supply, macroeconomic stability and STEG's financial position.

These vulnerabilities have been amplified by ongoing instability in the Middle East and heightened volatility in global hydrocarbon markets which translates directly into higher generation costs, wider fiscal pressures and further strain on a state-owned utility that is already operating under structural financial pressure. Against this backdrop, diversifying the generation mix, reducing dependence on imported fossil fuels and accelerating the deployment of lower-cost domestic renewable energy has become a strategic priority.

Tunisia continues to advance its energy transition agenda, targeting 35 per cent of electricity generation from renewable sources by 2030, compared with around 9 per cent today. Renewable deployment has accelerated in recent years, supported by private sector investment under the concession and authorisation regimes, including projects financed by the Bank, and by the launch of the 1.7GW renewable programme in 2022, awarded to and developed by private sponsors.

The Project, Tunisia's first utility scale battery storage, builds on the Bank's sustained engagement in Tunisia's energy sector since 2016. This engagement has covered grid reinforcement, STEG's corporate restructuring, support for the renewable energy concessions framework, the first large-scale private renewable energy projects in the country, and the ELMED interconnector ecosystem. Relevant operations include STEG Transmission, STEG Restructuring and Stabilisation Facility, ELMED 1, and ELMED 2. The Project also complements the World Bank's Tunisia Energy Reliability, Efficiency, and Governance Improvement Programme ("TEREG") which aims to improve STEG's operational and financial performance. Together, these interventions provide a comprehensive framework in which sector reform, infrastructure investment and innovative technology deployment reinforce each other.

A key milestone in this broader framework is the ELMED interconnector, a 600 MW HVDC submarine cable linking Tunisia to Italy, supported by the Bank, the EU, the EIB, the World Bank and KfW. With an estimated total project cost of approximately EUR 1 billion, ELMED is expected to enable cross-border electricity trade, strengthen grid reliability and support Tunisia's longer-term renewable energy ambitions. The Bank's EUR 43 million financing package for ELMED 2, signed in January 2026, will further reinforce the domestic grid by increasing north–south transfer capacity and improving the system's ability to absorb large-scale renewable projects located in the south.

As renewable capacity scales up, Tunisia needs to ensure sufficient flexibility in the grid to avoid curtailments, frequency instability and difficulties matching renewable output with demand peaks. The next phase of Tunisia's energy transition is therefore not only about adding renewable generation capacity, but also about equipping the system with the flexibility required to integrate that capacity efficiently and reliably. As the national utility, grid operator and single buyer, STEG needs practical operational experience with BESS to manage frequency regulation, ramping, peak-shaving, dispatch coordination and system balancing as renewable penetration increases. The Project will constitute Tunisia's first utility-scale BESS reference project and will help establish the technical, operational and institutional foundations required for wider storage deployment, including by future private developers.

The Project is particularly relevant in the current regional energy-security context, where Tunisia remains dependent on expensive and volatile imports of fossil fuel. By combining domestic solar with battery storage, the Project supports Tunisia's energy security priorities, contributes to a gradual cost-reduction path, and helps establish a more flexible and resilient power system capable of integrating larger volumes of lower-cost renewable energy.

The Project will also bring about the operational learning, dispatch procedures, grid-integration requirements, technical specifications and coordination arrangements for future solar-plus-storage projects. This will be reinforced by the associated OPIP technical assistance, which will support STEG in defining and operationalising the technical, contractual and operational frameworks required for future utility-scale and third-party BESS integration, including the solar-plus-BESS capacity expected to come on line in 2027. As these projects advance, and as the ELMED ecosystem progresses, STEG's capacity and experience with BESS integration in the context of growing private sector renewables, is increasingly important for a resilient power system.

The Project is also supported by the ongoing policy dialogue and technical cooperation aimed at strengthening the wider enabling environment for storage and grid integration. Under the Bank-supported policy dialogue accompanying the ELMED interconnector, work is progressing on frameworks for market integration, certification and decarbonisation, helping align rules, processes and stakeholder expectations for future renewable and storage deployment. In parallel, the Bank is supporting STEG through a dedicated cybersecurity partnership under the EBRD Cybersecurity Resilience Programme, with a focus on grid resilience, grid-connected distributed renewable energy resources, supply chain risk management and operational technology security.

The Project supports Economic Governance by helping establish the practical experience, technical frameworks and institutional capacity required for the deployment and operation of BESS in Tunisia. Through the associated OPIP technical assistance, the Project will support STEG in defining and testing BESS connection requirements, operational reference materials, dispatch and real-time system management procedures, and coordination arrangements for future utility-scale and third-party storage projects. The Project therefore strengthens the enabling environment for future public and private solar-plus-storage investments, rather than serving only as a standalone public-sector investment.

The Project is aligned with the Bank's Energy Sector Strategy, the Strategy for Tunisia, the EBRD Approach to Accelerating the Digital Transition 2021-2025 and the Green Economy Transition 2030 Strategy, the Management Approach to Cybersecurity in Sustainable Infrastructure. [REDACTED]The Project also contributes to SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure) and SDG 13 (Climate Action).

1.2 TRANSITION IMPACT

Primary Quality: Green

Obj. No.	Objective	Details
1.1	*The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 50%.*	The Project comprises the construction of a solar plant with a 50 MWac capacity and battery storage capacity of 10 MW, operating for two hours per day. The Project will result in savings of 50k tons of CO2 emissions per year. The Project is 100% GET attribution.
1.2	*The project introduces one of the first three of its kind green products or technologies that are innovative at the national or regional level.*	The Project will be the first to introduce a BESS in Tunisia and is expected to have a strong demonstrative effect on the development of renewable-backed storage systems through both public and private sector participation in Tunisia and the wider region. This will be supported by targeted capacity-building activities to help prepare STEG and the wider power system for the integration and future scale-up of BESS in Tunisia.

Secondary Quality: Resilient

Obj. No.	Objective	Details
2.1	*The project supports the Resilient quality [scored 70]*	The Project will improve the resilience of Tunisia's power grid by deploying new BESS capacity, which will enable higher levels of renewable energy integration. Battery storage supports grid stability and reduces curtailment of renewable installations by absorbing excess generation and releasing energy during periods of low output, effectively offsetting the variable production profile of renewables. As the share of intermittent sources like wind and solar increases, the demand for flexible assets such as BESS is projected to accelerate, making large-scale battery projects a critical enabler for Tunisia's decarbonisation targets and energy transition.

Delivery risks: The principal delivery risk to achieving the Project's Transition Impact relates to the potential implementation delays. This risk is mitigated by the advanced level of project preparation and strengthened implementation arrangements already in place. Comprehensive technical, environmental and social due diligence has been completed prior to launching tenders, including a dedicated prefeasibility study for the PV and BESS components, ensuring that the Project scope is fully defined ahead of procurement. In addition, to support timely delivery of this high priority national project, an advance procurement consultant has already been engaged and will also assist with preparation of tender documents for the PIU support consultant. Together, these measures significantly reduce the risk of delays during procurement and implementation, supporting timely delivery of the Project and safeguarding its Transition Impact and alignment with the Bank's policies.

Digital Approach: The Project is aligned with the Adaptation area of intervention outlined in the EBRD Approach to Accelerating the Digital Transition 2021-2025, as it will enable the Company to enhance its cybersecurity resilience. The Borrower will commit to the agreed cybersecurity controls.

1.3 ADDITIONALITY

Identified triggers	*"n/a"*

Additionality sources	**Description of additionality sources**
Financing structure	EBRD is highly additional by providing long-term financing on terms not available in the Tunisian market on reasonable terms. The proposed structure, blended with concessional CTF GESP co-financing, supports the Project's affordability and financial viability. This is particularly important given the Project's role as Tunisia's first utility-scale BESS deployment and the absence of comparable long-term domestic financing for such technology.
Policy, sector, institutional or regulatory change	The Project is additional through its contribution to the development of a structured institutional approach for battery storage integration in Tunisia. As Tunisia's first utility-scale BESS deployment, the Project will serve as a reference case for future public and private solar-plus-storage projects. The associated SMART / OPIP BESS Technical Assistance will support STEG in defining, testing and operationalising technical, contractual and operational frameworks for utility-scale and third-party BESS integration, including connection and compliance documentation, operational reference materials, dispatch procedures and real-time system management arrangements. This is aligned with the additionality source relating to policy, sector, institutional or regulatory change.
Knowledge, innovation and capacity building	EBRD's involvement brings expertise, knowledge and capacity-building that are material to the timely realisation of the Project's objectives. The Project introduces an innovative storage technology in Tunisia and is supported by targeted TCs, including SMART / OPIP BESS Technical Assistance, support for digital transformation through ERP implementation, and GEF ENVITECC-funded support for the identification and management of PCB-contaminated equipment. These activities will strengthen STEG's institutional capacity, operational systems, internal controls and readiness to develop, manage and scale up future BESS and solar-plus-storage projects. The additionality guidance recognises knowledge, innovation and capacity-building as a source of EBRD additionality where these are material to the project's objectives.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
[REDACTED]	[REDACTED]	[REDACTED]
Technology risk	Low / Medium	The Project includes Tunisia's first utility-scale BESS deployment. While battery storage technology is commercially established internationally, its introduction in the Tunisian context presents a residual technology and operational risk. ***Mitigation:*** The Project will be procured under a performance-based FIDIC Yellow Book (Design-Build) EPC structure, which is appropriate given the technology-specific nature of the BESS component. The BESS will comprise lithium-ion battery modules, a battery management system, power conversion systems, thermal management systems and associated auxiliary equipment. Performance and technical requirements will be specified in the procurement documentation, and the BESS will be supported by an augmentation strategy integrated into the O&M framework to maintain rated capacity over the asset's useful life. In addition, technical due diligence has already been completed, and the procurement process will be designed to attract qualified contractors with relevant experience in integrated solar PV and storage delivery.
Completion risk	Medium / Medium	There is a risk of delay in construction and implementation, particularly in light of Tunisia's first utility-scale BESS deployment. ***Mitigation:*** The Project will be implemented by STEG through a PIU established by the Company acceptable to the Bank, supported by a grant-funded PIU Consultant covering procurement document preparation, tender evaluation, construction monitoring, works supervision and contract management. An advance procurement consultant has already been mobilised to accelerate tender preparation and support STEG on EBRD procurement requirements. Environmental and social due diligence, technical due diligence and a pre-feasibility study for the PV and BESS components have already been completed ahead of tender launch. The land required for the full Project footprint has been acquired through negotiated settlements, and a contingency is included in project costs to help absorb potential overruns. The Project's public procurement documents will include the standard safeguards[REDACTED].
Cybersecurity risk	Medium/High	[REDACTED] The implementation of the Project will benefit from cybersecurity support that is currently being provided to STEG at corporate level under the Cybersecurity Resilience TC Programme in the frame of the Voltalia Menzel Habib Solar project. This TC aims to enhance STEG's existing cybersecurity capabilities, with a particular emphasis on improving overall grid resilience and elevating standards for grid-connected distributed renewable energy resources. It also assesses existing security operations capabilities at Borrower level and recommends an investment roadmap in people, processes and tools with a view to further strengthen such security operations capabilities. Finally, the TC will support STEG cybersecurity staff in participating in operational technologies related cybersecurity training activities to

		prepare for relevant certifications (such as ISA/IEC 62443 or equivalent).
External risks		
Political risk	Low / Medium	STEG is a state-owned entity whose strategic priorities and implementation pace are influenced by government policy and the broader political environment. Changes in political priorities or delays in sector reform could affect implementation timing or the energy reform agenda more broadly. ***Mitigation:*** The Project is a domestic strategic infrastructure investment that directly supports national energy security objectives by reducing dependence on imported gas and enabling more efficient integration of renewable energy. It is included in STEG's broader investment programme for solar and storage and is backed by a sovereign guarantee, confirming the state's financial commitment. More broadly, Tunisia's renewable energy agenda continues to benefit from coordinated support from multiple IFIs, including the EBRD, World Bank, EIB and KfW, which provides institutional continuity beyond any single government cycle. In addition, the renewable energy concessions received parliamentary approval as per April 2026, reinforcing the support for continued renewable deployment.
[REDACTED]	[REDACTED]	[REDACTED] Real GDP grew by 2.5% year-on-year in 2025, up from 1.6% in 2024, while inflation averaged 5.4% in 2025 and 4.9% over January–March 2026. The fiscal deficit is expected to narrow to 5.6% of GDP in 2025, down from 6.4% in 2024, although the government is targeting a higher deficit of 6.0% of GDP in 2026. Public debt remains elevated, standing at 84.9% of GDP at year-end 2024 and projected to decline to 80.5% in 2025. [REDACTED]

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

TI indicator(s), primary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Renewable energy - electricity produced (MWh/year)	The project is expected to produce 118.6 GWh per year.	0	118,600	[REDACTED]
1.2	CO2e emissions reduced (tonnes/year)	the co2 emissions reduced are now 50,141tonnes per year	0	50,141	[REDACTED]
1.3	New or updated GET technology or product leading to energy efficiency introduced	The Project will introduce Tunisia's first utility-scale BESS deployment. The Project is expected to have a clear demonstration effect for the development of renewable-backed storage through public and private sector participation in Tunisia and the region.	No	Yes	[REDACTED]
1.4	New or updated technology introduced	The Project will be Tunisia's first utility-scale BESS	No	Yes	[REDACTED]

		deployment and is expected to generate operational learning and system-integration procedures relevant for future renewable-backed storage systems in Tunisia. This will be supported by targeted capacity-building activities to help prepare STEG and the wider power system for the integration and future scale-up of BESS.			
1.5	Renewable energy capacity installed (MW)	Completion of the 50 MWh additional renewable energy capacity to the grid.	0	50	[REDACTED]

TI indicator(s), secondary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Institution-level capacity strengthened in target area	Improve STEG capacity to develop, procure, implement, and operate its first utility-scale battery energy storage system (BESS), thereby strengthening its capabilities in system operations, maintenance planning, procurement, and contract management, as well as in integrating storage solutions into the national grid. The project will also contribute to enhancing the technical specifications and requirements for future BESS projects. This indicator is part of economic governance work and will be tagged accordingly	No	Yes	[REDACTED]
2.2	Net increase in energy infrastructure usage and/or capacity	The addition of approximately 10 MW of BESS will provide ancillary services to the grid. The Project will introduce the first BESS in Tunisia. Hence, the Project Tunisia's first utility-scale BESS deployment and one of the first solar-plus-storage reference projects in SEMED. The Project is expected to have a clear demonstration effect for the development of renewable-backed storage through public and private sector participation in Tunisia and the region.	0	10	[REDACTED]
2.3	Practices of the relevant stakeholder improved (others)	STEG will improve its capacity to develop, procure, implement, and operate utility-scale battery energy storage systems (BESS), supported by targeted capacity-building activities to help prepare STEG and the wider power system for the integration and future scale-up of BESS.	No	Yes	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

STEG is the national electricity and gas utility created in 1962, when the Tunisian Government decided to nationalise the generation, transmission, distribution, import and export of electricity and gas. The company supplies the national market in electric energy and fuel gas. It is a public company with financial autonomy placed under the Ministry of Industry, Mines and Energy ("MIME").

STEG has a monopoly on transmission and distribution of electricity and gas. It acts as the single buyer for all electricity generated, operates the electricity network and owns c. 91% of domestic electricity generation. The transmission network is connected to Algeria and to Libya.

[REDACTED][REDACTED]

Ministry of Industry, Mines and Energy: STEG operates under the supervision of MIME, which coordinates and implements Tunisia's energy policy and acts de facto as the sector regulator. MIME supervises STEG and plays a central role in advancing Tunisia's renewable energy agenda, including the development of competitive procurement frameworks and the integration of private renewable generation into the power system.

3.2 GUARANTOR

The Loan will be backed by a sovereign guarantee from the Republic of Tunisia. While the country's macroeconomic environment remains fragile, recent improvements in fiscal performance and external resilience have moderately strengthened Tunisia's credit profile, as reflected in sovereign rating upgrades in 2025. A detailed assessment of Tunisia's sovereign risk, macroeconomic conditions and debt sustainability is provided in Section 5.2 below.

4. MARKET CONTEXT

Tunisia's power sector is predominantly controlled by STEG, which oversees electricity and gas generation, transmission, and distribution. The country reports an electrification rate of 99.8%, with 91% of its electricity generated from fossil fuels primarily natural gas, nearly half of which is imported from Algeria through a single pipeline corridor. Utility tariffs have historically been heavily subsidised, but the government has been implementing gradual reforms to make them more cost reflective. As part of these reforms, tariffs were increased by 12% for electricity and 16% for gas in 2022, with further increases of approximately 15% assumed in 2028 and 2033.

Tunisia has set ambitious renewable energy targets, aiming to increase the share of renewables in its electricity mix to 35% by 2030. To support this target and attract international developers, the MIME in 2022 requested EBRD's assistance in a policy assignment to improve the concession framework, resulting in more bankable procurement documents. Despite the challenging macroeconomic environment, Tunisia continues to attract significant international developer interest the first round of the 1.7 GW solar concession, launched in December 2022, achieved one of the lowest bids in Africa. The first 220 MW of capacity under the earlier 500 MW tender is now commissioned and operating, including the Scatec Sidi Bouzid and Scatec Tozeur projects financed by the Bank under the concessions regime, the AMEA Kairouan plant financed by other DFIs, and the Qair projects under the authorisations regime financed with Bank support.

The full renewable programme envisages a total of 18 projects tendered across four rounds throughout 2024 - 2026, comprising (i) nine 100 MW solar projects, (ii) eight 75 MW wind projects, and (iii) one public solar project at El Khobna with 200 MW combined. [REDACTED]On 13 May 2026, Tunisian Parliament approved the renewable energy projects, completing the ratification process. This represents a key milestone for Tunisia's renewable energy programme and supports the continued development of the country's private-sector renewable energy pipeline.

As renewable penetration scales, Tunisia is beginning to address the need for energy storage to manage intermittency and maintain grid stability. Utility-scale BESS remains a nascent segment of the Tunisian power

system, and the Project is expected to serve as the first operational reference case for storage-enabled renewable infrastructure. Its demonstration value is already relevant for future procurement policy, including solar-plus-storage projects expected under upcoming tendering cycles. The High Committee for Private Electricity Generation has approved a 350 MW solar project with integrated battery storage at Bazma (Kébili) as part of the next tendering cycle marking Tunisia's first formal adoption of hybrid solar-plus-storage in its competitive procurement pipeline. [REDACTED]

These developments signal a structural shift in Tunisia's energy planning: storage is increasingly recognised not as optional infrastructure but as a prerequisite for absorbing the renewable capacity being built, reducing curtailment, lowering system balancing costs, and once the ELMED interconnector becomes operational enabling efficient cross-border electricity flows.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

STEG's financial statements for 2024 were audited by the Tunisian audit firms CNW and CNH in full compliance with Tunisian Accounting Standards. Due to the absence of audited accounts or management accounts beyond 2024, 2025 has been treated as a forecast year and serves as the first projected year in the financial model.

[REDACTED]

5.2 SOVEREIGN CREDIT ANALYSIS

The Loan will be backed by a sovereign guarantee from the Republic of Tunisia. While the country's macroeconomic environment remains fragile, recent improvements in external resilience and fiscal management have moderately strengthened its credit profile. In September 2025, Fitch upgraded Tunisia's sovereign rating by one notch to B- with a stable outlook, citing improved external accounts resilience. This followed an upgrade by Moody's earlier in the year to Caa1/Stable.

Economic growth recovered in 2025 following a subdued performance in the preceding year. Real GDP grew by 2.5% year-on-year in 2025, up from 1.6% in 2024, supported by a continued recovery in agriculture and expansion in selected industrial and service sectors. Inflation also moderated, averaging 5.4% in 2025, down from 7.0% in 2024. However, disinflation slowed in early 2026, with inflation averaging 4.9% over January - March 2026, and price pressures remain sensitive to higher food and energy costs amid heightened regional geopolitical tensions.

Public finances remain constrained despite some improvements in fiscal performance. The fiscal deficit is expected to narrow to 5.6% of GDP in 2025, down from 6.4% in 2024 and 7.6% in 2023, supported by better revenue mobilisation and lower basic goods subsidies. At the same time, the government is targeting a higher deficit of 6.0% of GDP in 2026, driven by increases in unallocated expenditures, the wage bill and public investment. Public debt stood at 84.9% of GDP at year-end 2024 and is projected to decline to 80.5% in 2025, with a shift in composition towards domestic debt.

The external position has improved overall but remains vulnerable. The current account deficit widened to 2.5% of GDP in 2025, compared with 1.6% in the preceding year, reflecting a larger trade deficit despite a fall in the energy deficit and recovery in phosphates exports. Higher tourism and remittance receipts have continued to support the external position. International reserves stood at USD 8.4 billion in March 2026, broadly stable compared with year-end 2025 and equivalent to 3.5 months of imports.

Tunisia remains exposed to global commodity price volatility given its dependence on imported refined products and natural gas. The 2026 budget was calibrated on a Brent assumption of USD 63 per barrel, well below current prices, and the authorities estimate that every USD 10 increase in Brent would add approximately USD 500 million in subsidy costs, while each TND 0.1 depreciation against the USD would

add approximately USD 140 million in further costs. In this context, the sovereign guarantee remains an important structural mitigant for the financing.

5.3 SENSITIVITY ANALYSIS

[REDACTED]

5.4 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Category B (ESP 2024). Environmental and social risks associated with the construction and operation of a 50-MWac photovoltaic power plant, a 20-MWh BESS, and a 1.2-km, 225-kV grid connection and associated substation are site-specific and can be readily assessed and managed by implementing an Environmental and Social Action Plan (ESAP). Environmental and social due diligence was carried out by an external party and consisted of a review of the existing environmental and social assessment carried out for the project, a review of the Borrower's Health and Safety, Social and Environmental Management System, and site visits.

STEG ("the Borrower") is an existing Borrower of the Bank and has the capacity to align projects with the EBRD Environmental and Social Requirements (ESRs). It also has a positive track record of compliance with existing ESAPs. The Borrower already has a standard Health and Safety, Social and Environmental (HSSE) management plan developed for previous projects to EBRD ESRs, which has been adapted for this project. This includes specific management plans to be cascaded to sub-contractors. The HSSE plan will be included in the tender documents to be issued to potential EPC contractors.

As part of the HSSE plan, a labour management plan has been developed for the project to manage contractor- and other intermediated labour in line with labour laws and EBRD's ESR2. Any worker accommodation needed for the project will comply with the EBRD worker accommodation guidance (2009). Project-specific Occupational and Community H&S Plans will be developed with particular attention to worker influx, work in extreme heat conditions, gender-based violence and harassment risks to workforce and communities, as well as traffic management. An appropriate ventilation system will be installed together with the BESS, and an emergency response plan covering fire hazards will be prepared for the operations.

The supply chain associated with the photovoltaic panels and BESS will be managed through specific representations and requirements in public procurement bidding documents. Relevant measures on supply chain mapping, presentation of declaration, as well as verification of sourcing from assessed suppliers, are also included in ESAP. The Borrower will be required to monitor any emerging risks during project implementation as part of the ESAP.

Environmental and social due diligence results indicate limited air emissions, minimal wastewater generation, and minor use of hazardous materials. Management plans will include dust control measures and waste handling procedures. Dry cleaning of photovoltaic panels will be used during operations to the extent possible, and specific actions regarding photovoltaic material sourcing, maintenance and disposal will align with good international practices.

The project will not result in any physical displacement, and no structures or other land use have been identified on site. The land required for the entire project footprint was acquired through negotiated settlements with the previous owners. The project is not located in the vicinity of protected or sensitive areas. Biodiversity surveys undertaken confirmed limited activity and subsequent impact assessment confirmed no impact on any sensitive species. In any case, habitat clearance and construction will be undertaken outside of breeding season, and precautionary measures including installation of bird divertors on the grid connection will be implemented by the project. In addition, minimisation of lighting within the photovoltaic and BESS sites during project implementation, and appropriate fencing to maintain ecological continuity, will be implemented by the project to eliminate any pressure on fauna.

As two burial sites were identified on site, additional archaeological screening surveys were completed in conjunction with the competent authority, and buffer zones were established in line with national legislation and EBRD ESR 8. The Contractor will be required to carry out the work with an archaeologist in the vicinity of the buffer zones, and precautionary chance find procedure will be established to handle any accidental archaeological discoveries during the construction phase. Corresponding trainings will be implemented for the project's workers. These measures are part of the ESAP.

Early engagement with local authorities and adjacent communities has been undertaken by the Borrower. A dedicated Community Liaison Officer will be designated in the zonal office of the Borrower before the commencement of the construction phase; the Officer will be responsible for the implementation of the Stakeholder Engagement Plan and management of external grievances throughout the lifetime of the project.

The project's ESAP has been agreed with the Borrower. The Non-Technical Summary and Stakeholder Engagement Plan will be disclosed on the Borrower's and the Bank's websites in English, French and Arabic. The Bank will closely monitor implementation of the project through environmental and social reporting from the Borrower and the lender's environmental and social advisor, as well as the Bank's monitoring visits to the project, as necessary.

6.2 INTEGRITY

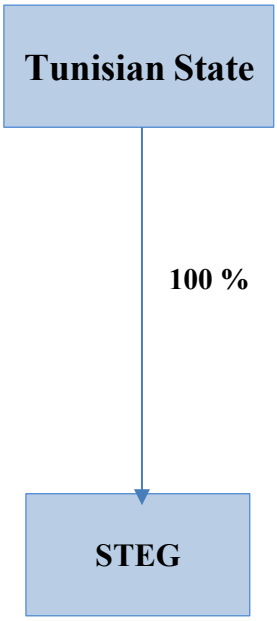
In conjunction with OCCO, internal integrity due diligence was conducted on STEG and its top management. [REDACTED]

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

ANNEXES TO OPERATION REPORT

ANNEX 1	SHAREHOLDING STRUCTURE
ANNEX 2	TRANSITION IMPACT SCORING CHART
ANNEX 3	GREEN ASSESSMENTS
ANNEX 4	PROJECT IMPLEMENTATION
ANNEX 5	HISTORICAL FINANCIAL STATEMENTS
ANNEX 6	SUMMARY OF STEG REFORM ROADMAP
ANNEX 7	SUMMARY OF TC ARRANGEMENTS

ANNEX 1 - SHAREHOLDING STRUCTURE



ANNEX 2 – TRANSITION IMPACT SCORING CHART

[REDACTED]

1. TI Objectives

Primary Quality: Green

Obj. No.	Objective	Details
1.1	*The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 50%.*	The Project comprises the construction of a solar plant with a 50 MWac capacity and battery storage capacity of 10 MW, operating for two hours per day. The Project is expected to result in savings of 50k tons of CO2 emissions per year. The Project is 100% GET attribution.
1.2	*The project introduces one of the first three of its kind green products or technologies that are innovative at the national or regional level.*	The Project will be the first to introduce a BESS in Tunisia and is expected to have a strong demonstrative effect on the development of renewable-backed storage systems through both public and private sector participation in Tunisia and the wider region. This will be supported by targeted capacity-building activities to help prepare STEG and the wider power system for the integration and future scale-up of BESS in Tunisia.

Secondary Quality: Resilient

Obj. No.	Objective	Details
2.1	*The project supports the Resilient quality [scored 70]*	The Project will improve the resilience of Tunisia's power grid by deploying new BESS capacity, which will enable higher levels of renewable energy integration. Battery storage supports grid stability and reduces curtailment of renewable installations by absorbing excess generation and releasing energy during periods of low output, effectively offsetting the variable production profile of renewables. As the share of intermittent sources like wind and solar increases, the demand for flexible assets such as BESS is projected to accelerate, making large-scale battery projects a critical enabler for Tunisia's decarbonisation targets and energy transition.

2. Risks to TI delivery

The key risk to achieving the Project's Transition Impact is the potential for implementation delays. This risk is mitigated by several factors:

1. Comprehensive due diligence and feasibility work prior to signing:

Environmental and social due diligence has been completed ahead of launching tenders. Technical due diligence has also been finalised. In addition, a prefeasibility study for the PV and BESS components was carried out specifically in preparation for the project, ensuring these elements are fully scoped before procurement begins.

2. Advance procurement and strengthened PIU support:

To facilitate timely procurement for this high priority national project, an advance procurement consultant has already been engaged. This consultant will also support the Client in preparing tender documents for the PIU support consultant, thereby accelerating the overall procurement process.

These measures significantly reduce the risk of delays and support the timely delivery of the Project, safeguarding its Transition Impact and alignment with the Bank's policies.

3. Further assessment criteria

Further assessment criterion triggered	OL's comment
STATE-OWNERSHIP: The client is state-owned[2] and either one of these conditions hold: (i) The client operates in a competitive environment, or (ii) The client operates in a natural monopoly segment and has a history of performance issues[3], or (iii) This is an existing client of the Bank and past projects have failed to deliver key reform components[4].	Société Tunisienne de l'Électricité et du Gaz ("STEG") is a state-owned enterprise that operates in a natural monopoly sector, specifically in the transmission and distribution of electricity and gas, where competition is inherently limited. As the sole operator in Tunisia, STEG has faced historical performance and financial challenges[REDACTED].
BLENDED CONCESSIONAL FINANCE (BCF): The project includes BCF administered by the EBRD (e.g. investment/incentive grants, concessional debt, guarantees and other risk-sharing instruments, concessional equity)	Société Tunisienne de l'Électricité et du Gaz ("STEG") is a state-owned enterprise that operates in a natural monopoly sector, specifically in the transmission and distribution of electricity and gas, where competition is inherently limited. As the sole operator in Tunisia, STEG has faced historical performance and financial challenges[REDACTED].
GREEN INNOVATION: The project introduces significant innovation in i) business models in green-related areas, ii) green products or technologies, or ii) the environmental management practices and standards of the client.	The Project aims to pioneer the implementation of the first BESS in Tunisia, marking a significant milestone in the nation's renewable energy landscape. This initiative not only introduces a groundbreaking renewable energy solution technology to the region but also sets a precedent that will showcase the viability and effectiveness of renewable-backed storage solutions. By doing so, the Project is poised to create a clear demonstration effect that will encourage private sector engagement and investment in the medium term, paving the way for a sustainable energy future in Tunisia.

4. Fit with Country Strategy Objectives and Star Projects

Country	Strategy Objectives	Details
Tunisia	Increased renewable energy capacity, more diversified energy mix and greater private sector participation in the energy sector	The project aims to help Tunisia achieve its goal of generating 35% of its energy from renewable sources by 2030. The proposed Beni Mhira Solar PV project, situated in the Tataouine Governorate in southern Tunisia, will play a significant role in diversifying the energy mix, reducing reliance on fossil fuels, and promoting the decarbonization of the power sector.
Tunisia	Increased energy, resource and water efficiency	The system is expected to generate approximately 118.6 GWh/year, resulting in annual savings of 29 Ktoe of natural gas and a reduction of 50,141 tonnes of CO_2 emissions.

5. Transition impact monitoring indicators

TI indicator(s), primary Quality: Green

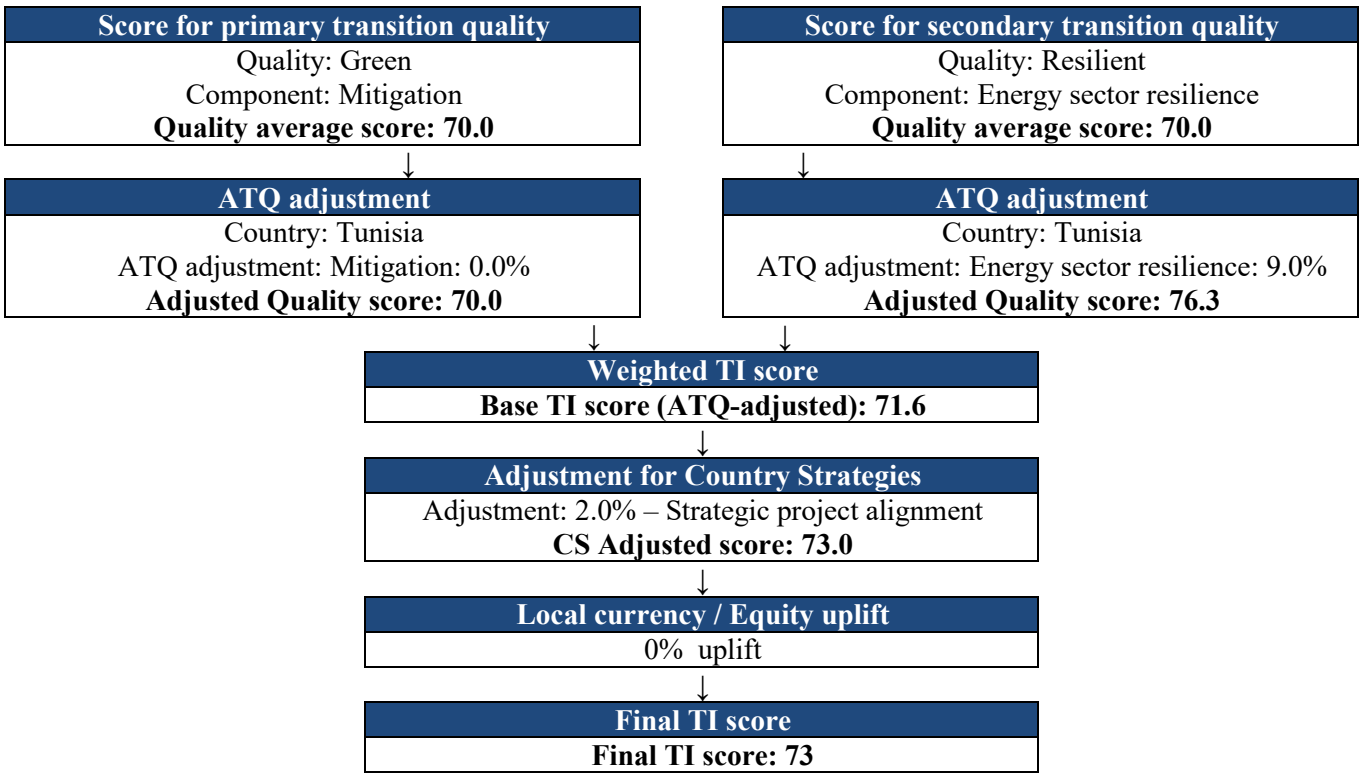
Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Renewable energy capacity installed (MW)	Completion of the 50 MWac additional renewable energy capacity to the grid	0	50	[REDACTED]

1.2	CO2e emissions reduced (tonnes/year)	the co2 emissions reduced are now 50,141t per year	0	50,141	[REDACTED]
1.3	New or updated GET technology or product leading to energy efficiency introduced	The Project will introduce Tunisia's first utility-scale BESS deployment. The Project is expected to have a clear demonstration effect for the development of renewable-backed storage through public and private sector participation in Tunisia and the region.	No	Yes	[REDACTED]
1.4	New or updated technology introduced	The Project will be Tunisia's first utility-scale BESS deployment and is expected to generate operational learning and system-integration procedures relevant for future renewable-backed storage systems in Tunisia. This will be supported by targeted capacity-building activities to help prepare STEG and the wider power system for the integration and future scale-up of BESS.	No	Yes	[REDACTED]
1.5	Renewable energy - electricity produced (MWh/year)	The project is expected to produce 118.6 GWh per year.	0	118,600	[REDACTED]

TI indicator(s), secondary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Institution-level capacity strengthened in target area	Improve STEG capacity to develop, procure, implement, and operate its first utility-scale battery energy storage system (BESS), thereby strengthening its capabilities in system operations, maintenance planning, procurement, and contract management, as well as in integrating storage solutions into the national grid. The project will also contribute to enhancing the technical specifications and requirements for future BESS projects. This indicator is part of economic governance work and will be tagged accordingly	No	Yes	[REDACTED]
2.2	Net increase in energy infrastructure usage and/or capacity	The addition of approximately 10 MW of BESS will provide ancillary services to the grid. The Project will introduce the first BESS in Tunisia. Hence, the Project is Tunisia's first utility-scale BESS deployment and one of the first solar-plus-storage reference projects in SEMED. The Project is expected to have a clear demonstration effect for the development of renewable-backed storage through public and private sector participation in Tunisia and the region.	0	10	[REDACTED]
2.3	Practices of the relevant stakeholder improved (others)	STEG will improve its capacity to develop, procure, implement, and operate utility-scale battery energy storage systems (BESS), supported by targeted capacity-building activities to help prepare STEG and the wider power system for the integration and future scale-up of BESS.	No	Yes	[REDACTED]

6. Scoring chart:


Score for primary transition quality
Quality: Green
Component: Mitigation
Quality average score: 70.0
Score for secondary transition quality
Quality: Resilient
Component: Energy sector resilience
Quality average score: 70.0
ATQ adjustment
Country: Tunisia
ATQ adjustment: Mitigation: 0.0%
Adjusted Quality score: 70.0
ATQ adjustment
Country: Tunisia
ATQ adjustment: Energy sector resilience: 9.0%
Adjusted Quality score: 76.3
Weighted TI score
Base TI score (ATQ-adjusted): 71.6
Adjustment for Country Strategies
Adjustment: 2.0% – Strategic project alignment
CS Adjusted score: 73.0
Local currency / Equity uplift
0% uplift
Final TI score
Final TI score: 73

ANNEX 3 – GREEN ASSESSMENTS

SUMMARY

- The Project will finance the design construction and commissioning of a 50 MWac solar PV plant, a 10 MW / 20 MWh BESS unit and a 1.2 km high-voltage transmission line to connect the power plant to the national grid.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **Green finance.**
- Climate-related financial risks have been assessed[REDACTED].

Changes since CRM/NTN/Exhibit A stage

The Project has not materially changed since CRM/NTN/Exhibit A stage.

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement

The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The Project activity is included in the 'MDBs' aligned list' under the category "Electricity transmission and distribution, including energy access, energy storage and demand-side management" and "Generation of renewable energy (e.g., from wind, solar, wave power, etc.) with negligible lifecycle GHG emissions''
- There are no activities included in the 'non-aligned list'.
- There are no additional or specific conditions associated with the 'aligned' Project/economic activity.

Alignment with the adaptation goals of Paris Agreement

The Project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. All material physical climate risks have been addressed**.**

Step 1: The screening performed under Step 1 indicates that the Project faces potentially material physical climate risks: extreme heat events and increased water stress

Step 2: During the due diligence phase these risks were further assessed, and the results summarised below.

Hazards	**Materiality**		**Climate resilience measures**
	Exposure	**Sensitivity**	
Extreme heat event	Average temperatures exhibit a marked seasonal range, with an annual mean of 20.6 °C. The average A minimum air temperature is 2.6 °C, while the average maximum air temperature reaches 45.4 °C during the hottest summer months (Source: Solargis Prospect). An absolute maximum air temperature of 48.5 °C was recorded in July over the observation period 2015– 2025 (Source: CCTP Tome I).	As per technical specification provided by STEG, PV modules can withstand 85°C temperature, whereas inverters, transformers, transmission line and battery storage can withstand up to 50°C.	Equipment selection will take into account maximum operating temperatures and shall be justified by design calculations from EPC contractor, ensuring good operation of all equipment, in particular batteries. Some measures to prevent overheating: equipment oversizing, if necessary cooling system: natural ventilation, forced ventilation, air conditioning These measures will be defined during tendering phase, based on EPC contractor proposal. The requirements will be included into ESAP.

Increased water stress	Tunisia faces structural and intensifying water stress driven by climate change, severe over-allocation of water resources, and rising demand. With per-capita water availability below the threshold for absolute scarcity and freshwater withdrawals approaching the limits of renewable supply, water stress affects all major sectors, including energy systems.	Solar panels generation is not exposed but maintenance is, ie. cleaning of the panels. Batteries do not use water however it is needed for fire and cooling in case water-cooling technology is chosen. Increased water stress has no impact on the transmission line.	The technology selected for panel cleaning relies on dry cleaning methods, which has been thoroughly discussed and agreed upon with STEG. In the event of a sandstorm or extraordinary soiling situation requiring wet cleaning, water supply will be carefully managed to avoid any impact on the local groundwater table. As for construction, operation and maintenance personnel, EPC contractor/operator should ensure that water needs are satisfied through external means without impact on on-site physical conditions. PV module cleaning strategy will not rely on groundwater resources, even if present. This will be reflected in ESAP.

Step 3: The Project is unlikely to have an impact on the climate resilience of the wider system in which it operates.

CLIMATE RELATED FINANCIAL RISK

Carbon transition risk	
Final carbon transition risk score for the key counterparty of risk	*2*
Evaluation of carbon transition risks for the key counterparty of risk	n/a

Physical climate risk	
Final physical climate risk score for the key counterparty of risk	*2*
Evaluation of the physical climate risk for the key counterparty of risk (if different from the borrower)	n/a

GREEN FINANCE ATTRIBUTION

The project is attributed 100% green finance. The share has been calculated in line with EBRD's Methodology to determine the green finance attribution of EBRD investment, furthermore following Route 1 for the defined green use of proceeds. Additional guidance has been followed from Common Principles for Climate Mitigation Finance Tracking (Table 2, Energy storage and network stability, and Renewable Energy Generation).
The project is comprising of the solar power plant 50MWac that will be efficiently connected and integrated to the electricity network with the 1.2km 225kV and Battery of 10MW capacity. All components are eligible for GET attribution since they are contributing to the increase of electricity generation from the renewable energy source and improve its integration to the electricity network.

Positive physical benefits are: 118.6GWh of produced electricity, accounting for approximately 50kt of CO2 reduced.

[REDACTED]

ANNEX 4 - PROJECT IMPLEMENTATION

Procurement classification – *Public (sovereign)*

Project risk assessment:

Overall risk rating	*"Moderately High"*
based on:	
[REDACTED]	
The Company's capacity assessment related risk	*"Moderately High"*

The Project aims to develop, construct, and commission a 50 MWac solar photovoltaic power plant integrated with a co-located 10 MW / 20 MWh battery energy storage system (BESS) and associated grid connection infrastructure in the Beni Mhira region, Governorate of Tataouine, in the south of Tunisia. It includes:

- A 50 MWac solar PV plant (bifacial modules);
- A 10 MW / 20 MWh lithium-ion battery energy storage system, including battery management system, power conversion system, thermal management, and auxiliary systems;
- A 1.2 km, 225 kV high-voltage overhead transmission line connecting the facility to the Tataouine Rouis substation on the national grid; and
- Associated civil works, substation extension/upgrade, and grid protection systems.

The Project is financed through a sovereign-guaranteed EBRD loan of EUR 30 million combined with a EUR 20 million concessional loan from CTF GESP, for a total of EUR 50 million. The Bank's Procurement Policies and Rules ("PP&R") for public sector operations will apply to all contracts.

[REDACTED]Based on the above, the overall project risk is rated "Moderately High". The contracts risk is assessed as "Moderately High," reflecting Tunisia's first utility-scale BESS deployment and the complexity of the integrated solar-plus-storage EPC scope.

Contracts risk assessment	*"Moderately High"*

Project implementation arrangements:

The Project will be implemented by STEG, which will be responsible for project execution and for conducting the procurement process in line with the Bank's PP&R. A PIU, acceptable to the Bank has been established by STEG to implement the Project.

STEG PIU will launch and manage the tendering, supported by a grant-funded PIU Support Consultant for the preparation of procurement documents, tender evaluation, construction monitoring, and works contract supervision.

STEG has good experience working with International Financial Institutions, including EBRD, EIB, World Bank, and KfW, and has demonstrated good understanding of EBRD PP&R and other requirements. EBRD has a long-term relationship with various departments of STEG, nevertheless this is the first transaction with STEG's generation department. The Borrower has solid technical skills and experience in managing large and complex energy infrastructure projects. To improve efficiency in project implementation, STEG has required additional support from the Bank. The Bank has mobilized a Panel Expert to provide support to:

- Assist STEG in preparing the procurement documents for the PIU Support Consultant;
- Support STEG in preparing procurement documents for the works contract and to initiate preparation of the main works procurement documents;

- Provide procurement training and guidance to STEG to enforce EBRD PP&Rs and on FIDIC contracts.

Procurement arrangements:

[REDACTED]The Bank has reviewed the requirements and technical specifications for the works contract and is satisfied that the design is sufficiently advanced to justify a single-stage procurement method for a FIDIC Yellow Book contract.

The Company has requested to proceed with advance procurement, with the support of the Panel Expert, at its own risk for the Bank-financed works contract.

The PIU Consultancy services contract will be tendered under single stage open tender method, with two envelopes (technical and financial).

All procedures will be conducted under prior review.

[REDACTED]

ANNEX 5 – HISTORICAL FINANCIAL STATEMENTS

[REDACTED]

ANNEX 6 – SUMMARY OF STEG REFORM ROADMAP

STEG Transmission (2016)

As part of the 2016 investment in transmission infrastructure a comprehensive TC package was provided, under 4 assignments aiming at supporting institutional and operational strengthening measures:

- Development and implementation of a compliance action plan to enhance the compliance and integrity procedures of STEG was *finalised in 2019*.
- Improvements in STEG's risk management pertaining to foreign exchange, interest rate, and commodities risk have been implemented. This involved enhancing STEG's trading room and providing training to staff on international best practices in risk management. The implementation was *completed in 2019*.
- The diagnostic study assessing conversion gaps between local accounting standards and IFRS, together with the preparation of the Company's accounts in accordance with IFRS for fiscal years 2018 and 2019, was put on hold. IFRS implementation training for the accounting staff has since resumed in September 2025. The IFRS transition date has been set for January 2025, with the first IFRS-compliant accounts, covering FY2025, expected in late 2026.

Status: [REDACTED]The Bank will continue to engage with STEG to ensure the Sponsor meets its commitment to close remaining gaps and to ensure that the program remains fit for purpose.

Stabilisation and Restructuring Facility

As part of the 2022 STEG Stabilisation and Restructuring Facility the Bank provided a comprehensive reform roadmap to STEG to support on improving corporate and climate governance, improve financial management, improve renewable energy professions. The progress made in implementing the roadmap is evident across various parameters and tasks, highlighting STEG's strong commitment to implementing reforms. The following achievements illustrate the modernisation efforts and improvements in STEG's corporate and financial management, as well as its focus on inclusive renewable energy professions:

Modernisation of Corporate and Climate Governance:

- STEG has prepared a new corporate and climate strategy and risk management policy, which have been approved by senior management and the Board of Directors.
- Internal bylaws for the Board have been approved, and a Board nomination policy has been adopted. [REDACTED]
- Internal bylaws for the risk and governance committee and the executive committee have been approved by the Board.
- STEG has validated the analysis of the audit and inspection charter and, with EBRD's assistance, has successfully prepared its first climate report which has been published on the Borrower's 2022 Annual Report.
- Additionally, STEG has enhanced its adherence to Environmental and Social Health and Safety International Standards by adopting new health and safety regulations and implementing the Bird Management Plan.

Modernisation of STEG financial management

- STEG has finalised the development of the economic and financial model.
- STEG has finalised the asset inventory valuation for STEG in accordance with IFRS standards.
- Regarding the ERP system, the ERP contract was signed in January 2026 and implementation has commenced. In parallel, STEG is in the process of contracting an ERP implementation support consultant, financed through the Bank's SSF.

Inclusion in the Renewable Energy Professions:

- With assistance from the Bank, STEG has actively promoted inclusivity to support the green economy transition.
- STEG has supported the development of National Occupational Skills Standards (NOSS) that align with current and future industry requirements.
- Partnership arrangements have been established with three local universities to create innovative training programmes.

- Capacity building efforts have been implemented for STEG's 13,500 employees.
- In early May 2023, STEG celebrated the completion of the "STEG TALENTS 2030" HR transformation programme.

Overall, these achievements reflect the substantial progress made by STEG in implementing the roadmap and signify its dedication to corporate and financial improvements, as well as its commitment to inclusivity in the renewable energy sector.

STEG - ELMED power interconnector - Submarine cable

The Bank provided, under ELMED 1, (submarine cable) and comprehensive policy dialogue package to support the effective operationalisation of the interconnector. The support is as follows:

- **Market Integration Plan ("MIP"):** This TC aims to assist STEG, the MIME, and the future Tunisian Electricity Regulatory Authority ("TERA") in developing the legal, regulatory, and institutional framework needed for the efficient operation of the ELMED interconnector and the faster integration of private renewable energy into the grid. Since the assignment was signed and kicked off in September 2025, significant progress has been achieved under the initial analytical phase, including a comparative assessment of EU and international regulatory frameworks, a detailed review of Tunisian legislation, and the identification of key regulatory and institutional gaps. Draft reports covering the comparative analysis and legal and regulatory gap assessment have been submitted and discussed with stakeholders. Preparatory work has also started on the market integration action plan, support to ELMED's operational design, and the operationalisation of TERA, alongside ongoing capacity-building activities and study tours. The assignment is progressing in line with its overall 24-month timeframe, with subsequent phases focusing on implementation planning, secondary legislation drafting, and further stakeholder capacity building.

- **Guarantees of Origin ("GOs"):** This TC aims to support the Government in establishing an Energy Attribute Certificate ("EAC") framework for renewable electricity and fuels, in line with international and EU standards. Following the signing of the assignment in September 2025, initial implementation activities are underway, including the scoping of the accreditation framework, a preliminary review of the legal and regulatory environment governing renewable energy attributes, and early work on defining institutional roles and governance arrangements. Preparatory work has also commenced on outlining a sustainable business model to ensure the long-term operation of the scheme. Once operational, the GO framework is expected to play a key role in supporting decarbonisation objectives under the LCP by enabling transparency, traceability and market confidence in renewable energy production.

- **Low Carbon Pathway ("LCP"):** The aim of this TC is to define a low-carbon, climate-resilient pathway for Tunisia's power sector through modelling of generation and transmission scenarios up to 2050. It will identify the optimal generation mix aligned with Tunisia's decarbonisation goals, assess regulatory, economic, and financial conditions, specify grid infrastructure needs, and provide policy and technology recommendations to guide investment and implementation. [REDACTED]The assignment is expected to take 18-months.

Support to STEG on Cybersecurity

The Bank is supporting STEG under the Cybersecurity Resilience TC Program ("CRP") in the frame of the Voltalia Menzel Habib Solar project. Such TC aims to enhance STEG's existing cybersecurity capabilities, with a particular emphasis on improving overall grid resilience and elevating standards for grid-connected distributed renewable energy resources, including related to supply chain security, in alignment with the EU NIS2 directive and the EU NCCS.

Below are the main tasks currently being implemented under this TC:

Cybersecurity Governance & Supply Chain Security

- Strengthen cybersecurity management of the supply chain and develop grid connection requirements for Independent Power Producers ("IPPs") aligned with EU NIS2 and NCSS directives.
- Conduct gap analysis using EU NCCS and ISO 27002 standards to enhance grid code and supply chain risk controls.

Cybersecurity Operations Roadmap

- Assess current security operations capabilities (e.g., SIEM, threat detection, vulnerability management).

- Develop a strategic roadmap for investing in people, processes, and technologies to improve enterprise-level cybersecurity operations.

Tozeur PV Plant Cybersecurity Assessment

- Perform a comprehensive IT/OT gap analysis of the Tozeur PV plant using IEC 62443, ISO 27001, and CIS18 frameworks.
- Recommend prioritized cybersecurity controls and investment roadmap for current and future STEG assets.

Capacity Building & Strategic Planning

- Facilitate training and certification for up to two STEG cybersecurity staff (e.g., ISA/IEC 62443 certifications).
- Develop a long-term cybersecurity roadmap covering future priorities such as cloud security, asset management, and IoT security.

ANNEX 7 – SUMMARY OF TC ARRANGEMENTS

The Project is supported by a comprehensive Technical Cooperation ("TC") package designed to strengthen project preparation, implementation readiness, institutional capacity and the broader enabling environment for Tunisia's first utility-scale BESS deployment. The TC package includes pre-signing due diligence and preparation support, post-signing project implementation support, ERP implementation support, targeted support for the identification and management of PCB-contaminated equipment, and SMART / OPIP technical assistance to support BESS-related institutional strengthening and Economic Governance outcomes.

Summary of TC assignments

TC	Assignment	Amount	Funding source / status	Purpose
TC1.1	Technical Due Diligence	EUR 75,000	[REDACTED]funded by EBRD SSF	Supported technical appraisal and project preparation for the solar PV, BESS and associated grid infrastructure.
TC1.2	Financial and Economic Feasibility Analysis	EUR 75,000	[REDACTED]funded by EBRD SSF	Supported financial and economic feasibility analysis and appraisal of the Project.
TC1.3	Environmental and Social Due Diligence	EUR 75,000	[REDACTED]	Supported environmental and social due diligence and preparation of mitigation measures for the Project.
TC2	STEG – Training on Identification of PCB-Contaminated Equipment	EUR 250,970.30	[REDACTED]funded by GEF Investment Special Fund	Provides targeted support to STEG for the identification, handling and safe management of PCB-contaminated equipment in line with international environmental, health and safety standards.
TC3	ERP Implementation Support	EUR 1.5 million	[REDACTED]proposed to be funded by EBRD SSF	Will support implementation of STEG's ERP system, strengthening integrated management systems, internal controls, reporting quality, financial management and operational decision-making.
TC4	Project Implementation Unit ("PIU") Support	EUR 2.0 million	[REDACTED]proposed to be funded by EBRD SSF	Will support STEG's PIU in procurement document preparation, tender evaluation, contract management, construction monitoring, works supervision and environmental and social compliance monitoring.
TC5	SOEs Management Assistance Reform and Transformation ("SMART") - OPIP TC	EUR 230,000	[REDACTED]funded by SSF	Supports STEG in defining, testing and operationalising the technical, contractual and operational frameworks required for the safe and efficient integration of utility-scale and third-party BESS into the Tunisian power system.

Description of TC support

Pre-signing support:

The Bank mobilised three pre-signing assignments covering technical due diligence, financial and economic feasibility analysis, and environmental and social due diligence, each with a budget of EUR 75,000. These assignments supported the appraisal of the Project, helped define the technical, financial and environmental and social scope, and contributed to implementation readiness ahead of tender launch.

ERP Implementation Support. The ERP Implementation Support TC will assist STEG with the implementation of its integrated ERP system, which is intended to cover finance, accounting, purchases, stocks, human resources and performance management. [REDACTED]

PCB management support. The PCB-related TC provides targeted assistance to STEG for the identification and management of PCB-contaminated equipment. [REDACTED]

Post-signing support:

PIU Support. Following signing, the Bank will support STEG through a grant-funded PIU Support Consultant. The consultant will assist the PIU with procurement document preparation, tender evaluation, contract management, construction monitoring, works supervision and environmental and social compliance monitoring, helping mitigate implementation risk and ensure the Project is delivered in line with EBRD standards and Procurement Policies and Rules.

SMART / OPIP BESS Technical Assistance. The SMART / OPIP TC is a key component of the Project's Economic Governance narrative. Using the Project as a primary reference case, the TC will support STEG in creating a dedicated BESS working group, carrying out a needs and gaps assessment, preparing BESS connection and compliance documentation, developing technical and operational reference materials, establishing dispatch and real-time system management procedures, and delivering targeted advisory and capacity-building activities.

Link to transition impact and additionality

The TC package is directly linked to the Project's additionality and Economic Governance tag. In particular, the SMART / OPIP BESS Technical Assistance will help STEG strengthen its capacity to develop, procure, implement and operate Tunisia's first utility-scale BESS deployment, while preparing the wider power system for future utility-scale and third-party private sector BESS integration. [REDACTED]

Together, the PIU Support, ERP Implementation Support, PCB management support and SMART / OPIP BESS Technical Assistance are expected to strengthen STEG's project implementation capacity, operational systems, internal controls, environmental management and readiness to scale up solar-plus-storage investments. These activities complement the Bank's broader reform roadmap and the World Bank's TEREG programme, supporting a more transparent, accountable and financially sustainable public utility

Funding amounts

[REDACTED]the identified TC package amounts to approximately **EUR 4.206 million**, comprising EUR 225,000 for pre-signing due diligence, EUR 2.0 million for PIU Support, EUR 1.5 million for ERP Implementation Support, EUR 250,970.30 for PCB management support and EUR 230,000 for the SMART / OPIP TC.