

OMAN: An Introduction to Projects & Energy

Budget for Development Projects

The annual budget ratified by His Majesty the Sultan of Oman for the financial year 2025–2026 highlights that hydrocarbons, particularly oil and gas, continue to account for nearly 70% of government revenue. Although these resources remain a significant source of national income, the government recognises the vulnerabilities posed by oil price fluctuations, geopolitical tensions, and natural disasters and climate change. Under Vision 2040, Oman has set ambitious targets to reduce its dependence on hydrocarbons by focusing on sectors such as tourism, logistics, manufacturing and renewable energy. In line with these goals, the 2025 state budget allocates a total investment of OMR4.44 billion towards development projects. Of this sum, OMR1.8 billion will be channelled through the Oman Investment Authority and its subsidiaries into tourism, minerals, logistics, technology, food, fisheries and energy services, among other sectors. A further OMR1.5 billion will be invested by Energy Development Oman in energy projects, while OMR1.14 billion will support other development initiatives.

Recent Power Projects

Oman is actively diversifying its energy portfolio by investing in renewable sources such as solar and wind power, capitalising on its abundant natural resources. The country's strategic location offers high solar irradiance and consistent wind speeds, making it ideal for large-scale renewable energy projects. In addition to renewable energy projects, Oman is also developing its traditional energy infrastructure. The announcement of two new gas-fired plant projects confirms Oman's strategy to maintain a balanced energy mix, enhancing its overall energy production capabilities while continuing to promote renewable energy sources.

Renewable Energy Policy for Self-Generation and Direct Sale

Oman has recently introduced a comprehensive Renewable Energy Policy for Self-Generation and Direct Sale (the "Policy"), marking a major milestone in its transition towards clean energy. As part of Vision 2040, the Policy aims to reduce reliance on hydrocarbons and drive large-scale adoption of renewable energy solutions. By 2050, Oman aspires to generate 90% to 100% of its electricity from solar, wind and green hydrogen, reinforcing its commitment to a sustainable and diversified energy sector.

Self-Generation Through Simplified Licensing

One of the key elements of the Policy is the simplification of licensing procedures for small-scale renewable energy projects. Residential, commercial and small industrial operators below a certain capacity threshold will benefit from streamlined approvals, allowing them to install rooftop solar panels, small wind turbines or other renewable solutions with minimal bureaucratic obstacles. However, larger projects will still continue to require formal licensing from the Authority for Public Services Regulation (APSR) to ensure compliance with grid and safety regulations.

Electricity Wheeling

The Policy also introduces regulations on electricity wheeling, which will allow large consumers to purchase power directly from renewable energy producers through the national grid. Licensed transmission and distribution companies will oversee the safe and stable delivery of electricity, ensuring seamless integration into the grid.

To promote fair competition, annual production limits and regulated tariffs co-ordinated with APSR will create a level playing field for households, businesses and major industrial users. By eliminating intermediaries, Oman's wheeling regulations aim to enhance market efficiency, making it easier for large energy consumers to benefit from cost-effective renewable power sources.

Spot Market

The electricity spot market in Oman (the "Spot Market"), which started on 1 January 2022, is a platform where electricity is traded for immediate delivery. All generators which have entered into Power Purchase Agreements (PPAs) with the Oman Power and Water Procurement Company, SAOC, the sole procurer of all capacity in Oman, must provide all required data including operational metrics, performance, output and pricing information in alignment with the market regulations established by the APSR.

As many PPAs were nearing expiry, the government sought a solution to keep these power plants operational for longer while also creating opportunities for new market participants. The Spot Market was introduced to allow existing plants to continue supplying power beyond their original contract terms, while at the same time enabling new producers, including renewable energy developers, to participate in a more open and competitive energy market.

Battery Energy Storage System

Oman is embracing Battery Energy Storage Systems (BESS) as a key enabler of its energy transition, ensuring grid stability and efficient renewable energy integration. As the country increases its reliance on solar and wind power, energy storage solutions will play a vital role

in optimising electricity distribution and reducing dependence on fossil fuels. The Policy also recognises the importance of energy storage, allowing generators to store and sell electricity through direct transactions and wheeling mechanisms.

The integration of BESS technology provides Oman with a range of benefits, including greater flexibility in electricity trading, improved energy security and optimised renewable energy utilisation. By enabling producers to store excess power when generation is high and deploy it when demand peaks, BESS helps balance the grid and reduce energy wastage. As energy storage becomes a central component of Oman's power infrastructure, large consumers and industrial players are expected to invest in BESS solutions, further accelerating the country's shift toward a more resilient and sustainable energy ecosystem.

International Renewable Energy Certificates (I-RECs)

Oman's adoption of the I-REC system plays a vital role in its renewable energy framework. The I-REC system provides a reliable mechanism for verifying and certifying renewable energy production, ensuring that every megawatt-hour (MWh) generated from sources like solar or wind is accurately tracked and documented. I-RECs provide proof of renewable energy usage, enabling companies to achieve environmental goals and meet international market demands for decarbonisation. Additionally, I-RECs serve as tradable assets, creating additional revenue streams for renewable energy projects.

The role of I-RECs is also evident in contractual arrangements for power projects in Oman, such as PPAs and Asset Lease Agreements (ALAs) for power plants. Under the PPA, I-RECs are typically covered under the definition of "Environmental Attributes". These agreements often stipulate that all such certificates, including I-RECs, belong to the OPWP.

Hydrogen Project in Oman

Oman is rapidly emerging as a key player in the global hydrogen economy, leveraging its abundant renewable resources and strategic geographic location to position itself as a major producer and exporter of green hydrogen. With a strong government commitment to clean energy transition, Oman has set ambitious targets to produce up to 1 million tonnes of green hydrogen annually by 2030 and increase production significantly by 2050. The country's Hydrogen Strategy, aligned with Vision 2040, aims to attract international investors, foster technological innovation, and establish Oman as a regional hub for hydrogen production and export. Several large-scale hydrogen projects have already been announced, with partnerships involving global energy firms and local stakeholders.

In a pivotal step to regulate the green hydrogen industry in Oman and facilitate the development of clean energy and green hydrogen projects, sector-specific legislation has been enacted through Royal Decree 10/2023. Whilst this legislation governs the grant of

land rights for clean energy and green hydrogen projects, ensuring a structured and transparent process for project development and investment, it does not regulate the production, transportation and storage of hydrogen and its downstream derivatives.

Conclusion

In conclusion, Oman's energy and projects sector is evolving rapidly, driven by robust policies, innovative market strategies, and an increasing emphasis on sustainability. The introduction of key initiatives such as the Policy, the Spot Market, and significant interest in green hydrogen underscores the nation's commitment to diversifying its energy sources and enhancing grid reliability. These developments are not only crucial for reducing Oman's carbon footprint but also for positioning the Sultanate as a pivotal player in the global energy market. However, the effectiveness of these initiatives will hinge on continued regulatory support and the ability to adapt to emerging challenges within the sector.

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