

**SREP UGANDA INVESTMENT PLAN – ISSUES LIST**

#	Comment / Issue	Made by	Answer
1	<p>Since GetFit, co-funded by Norway, already is in operation and can leverage more renewable energy investments subject to availability of additional funds, it is of concern that Norwegian funds through a multilateral channel (SREP) apparently cannot be used for fully finance GetFit and reap immediate benefits. The transactions costs by setting up a parallel mechanism could be considerable.</p>	<p align="center">Norway</p>	<p>We appreciate the support received from Norway as a financier of the GETFIT program which has been a success in Uganda and is already on its 3<sup>rd</sup> round.</p> <p>However, we would like to emphasize the following:</p> <ul style="list-style-type: none"> <li>- The GETFIT mechanism was launched as a medium term measure. It is based on premium payment to top up the REFIT would increase IPP investment from the private sector and bring on board and estimated 170MW of installed capacity to be commissioned before the large hydro power plans come on line.</li> <li>- The proposed projects under SREP were agreed between the Government of Uganda, MDBs and a wide range of Stakeholders that participated in the Joint Mission, including the representative of Norway.</li> <li>- After the Joint mission, the draft Investment Plan was also posted online for further consultation, and no such issues were raised.</li> <li>- Please note that the <i>"Prioritization of Strategic Investment Areas"</i>(Section 6, page 50) as well as annex 4 <i>"Rationale for SREP Ranking and Prioritization of the proposed projects"</i> were based on a prioritization of different technologies against SREP Criteria as well as the National Criteria. The approach was presented at various consultation meetings and the outcome an integral part of the SREP Investment Plan.</li> <li>- Among the official SREP criteria, one is entitled <b>Transformational Impact</b> which requires that <i>"an IP demonstrates how it will initiate transformative change in achieving national-scale outcomes and the delivery of SREP aims and objectives. Key criteria should be how the plan would remove barriers to renewable energy in the enabling environment, lead to replication of renewable energy investments, and increase the installed renewable energy capacity in a country's energy supply."</i></li> <li>- GETFIT program was widely reviewed and discussed with both KfW and DfID during the two meetings. The main conclusions were that: (i) SREP should play a complementary role and expand the range of renewable technology options, and (ii) adding new funds into</li> </ul>

			<p>the GetFit program was unnecessary given the existing low-demand in the country for new IPPs.</p> <p>SREP investment is targeting in areas that are currently undeveloped with high potential to increase the electricity generation which requires seed funds to commercialize. Geothermal was selected due to estimated potential of 450MW which is untapped, with the main challenge being that no private company can invest in high risk drilling project. While wind energy resources studies have been initiated on a small scale. Government and SREP funds will accelerate data collection and setup demonstration to attract private investment.</p> <p>It is the government's view that adding more money on an already well-established facility such as GETFIT is welcome (including Norway) however it has low impact in terms of long-term transformation of the energy sector in the country. SREP is a different model that addresses long term transformation. The two complement each other.</p>
2	If SREP would use GetFit and promote the generation technologies supported by GetFit, this would likely be more cost efficient and would provide faster results for Uganda.	Norway	<p>Annex 3: Stakeholder Consultations (page 106) refers to the meetings we had with various stakeholders, including with DFID and KfW on the GetFit program. It was decided that SREP would avoid duplication of efforts and support technologies that had the potential to maximize the transformative impact for the country.</p> <p>In addition, small hydro projects were not selected partly because there is sufficient financing for sites that have already been given out to the private sector.</p>
3	Although it may be relevant to facilitate development of electricity generation from geothermal and wind energy, the strategic choice for prioritizing these generation technologies is not well documented and justified. A description of current status (with regard to projects and donors involved) and the realism of developing these technologies are needed.	Norway	<p>We would disagree with this statement. The technology decisions were anchored in objective criteria and followed a well-documented consultative process, namely:</p> <ul style="list-style-type: none"> <li>(i) The Expression of Interest developed and submitted by the Government of Uganda to the CIF Admin Unit, where geothermal was identified as a priority for the country and a key technology for SREP Support. Considering the new pilot-countries (including Uganda) were selected on a competitive basis, we can only assume this was a further endorsement by the independent expert panel. We still firmly believe that this technology should be seriously considered.</li> </ul>

			<p>The technology prioritization was widely discussed during the SREP Scoping Mission, SREP Technical Mission, and the SREP Joint Mission, individual Stakeholder Consultations and a joint</p> <p>(ii) stakeholder meeting, as well as the online posting of the investment plan. There was a wide agreement that both geothermal and wind deserved support from SREP based on the barriers identified and potential transformative impacts.</p> <p>(iii) All renewable technologies that were considered were analyzed and ranked in accordance with <b>all</b> SREP Investment Criteria and a number of National Criteria. Both Table 13 and Annex IV provide a detailed explanation on the scores obtained by each technology against these criteria. These were cleared by all interest stakeholders presented in the Joint Mission. This is also documented in the Aide Memoire.</p> <p>(iv)</p> <p>(v) Section 3: Role of the Development Partners (p.36) of the IP includes a summary of the ongoing support to the development of energy sector being made by different Donors in different areas such as geothermal. We can avail additional information if needed.</p>
4	The assumed leverage factor does not seem justified.	Norway	Please see answer to comment #7 and #14 below.
5	A revised IP should reconsider the possibility of SREP co-financing GetFit. This also means that the budget for geothermal power exploration should be reduced so that funds can be provided for promotion of small hydropower and bagasse co-generation projects almost ready for construction.	Norway	<p>Please see answer to comment #1 and #2 above.</p> <p>SREP cannot finance private sector projects that do not follow a competitive process of selection</p>
6	More analytical work and justification for amongst other the choice of technology, the leverage factor and timeline for developing these new initiatives should be provided.	Norway	<p>The IP is in line with programming modalities of SREP and addresses, as best as possible, these concerns.</p> <p>In terms of the choice of the technologies to be supported by SREP please refer to the prioritization and ranking exercise undertaken in the IP. The timeline was carefully reviewed and is a best estimate based on inputs from MDBs and the Government of Uganda. The objective is to avoid the need for the submission of a revised IP to the SREP Sub-Committee if little or no progress is made in the next couple of years.</p> <p>The leverage factor is the result of estimates based on estimates provided on other IPs such as the Kenya Menengai geothermal project. The</p>

			preparation of the project is planned in 2016 by the respective MDB – this will determine the exact timeline for developing the new initiative. These take into consideration all the capital required to prove the renewable resource and to design and build the infrastructure.
7	The budget figures are very broad figures even for this time in the planning process. Cost breakdown of implementation costs, overhead costs and fees should be provided by the implementers.	Norway	At this stage, these figures are, as expected, only best estimates as it is simply too early to provide more precise figures. These figures are benchmarked on other similar projects in the sector. However, during project preparation, figures will be once again carefully reviewed and updated (if required) in the SREP Results Framework as it is the norm in these situations. It is worth mentioning that the SREP Sub-Committee will review and approve each project individually at a later stage and prior to approval by the Implementing MDB.
8	To Norad's understanding, SREP sponsors are not involved in the quality assurance of these documents. Among others, it would be interesting to undertake a thorough assessment of fund flow mechanisms, budget items and overhead costs.	Norway	<p>If by "Sponsors" you mean "Donors", then this is not correct. The representative of most donors (development partners) in the country were informed and invited during the scoping mission, the Joint mission, the online consultation of the Investment Plan to comment on the document.</p> <p>Most of SREP Donors are shareholders and sit on the Boards of the implementing MDBs, and they had the chance to review and approve all the relevant project documents. It is worth highlighting that as Implementing Entities of the CIF, MDBs utilize their rules and procedures in their appraisal stage. This includes detailed assessments at all levels of project due diligence (e.g. technical, financial, E&amp;S, etc.).</p>
9	The IP will, if successfully implemented, contribute to achievements of Uganda's electricity sector goals.	Norway	Thank you. This is well noted.
10	Rather than picking low-hanging fruits, i.e. hydropower and bagasse co-generation and grid-connected solar that can secure fast-track development of electricity projects, the IP will target generation technologies with no track record in Uganda, i.e. geothermal and wind energy. This may introduce additional risks for Uganda, possible at the cost of reduced economic growth.	Norway	<p>Please see answer to comment #1, #2 and #3 above.</p> <p>Uganda first developed its hydropower resource because it was least cost. This will soon be exhausted. There is a need to explore Geothermal as well realizing that it has the potential and there is experience and lessons learnt in the region.</p> <p>The low-hanging fruits are the "business as usual" and do not offer sector transformation, diversity in energy mix or a more climate-resilient energy system. The geothermal potential in Uganda is expected to equal 400 MW. Wind power is more intermittent, but widely seen as highly complementary with hydro power in any energy mix.</p>

			<p>Both of these technologies have track record in East Africa and with the AfDB, acting as Implementing Entity for both projects. Given the early indications of good potential of these two technologies, it makes most sense for SREP to play a catalytic role in bringing them to investment readiness.</p> <p>In terms of implementation, there are obvious risks attached to the successful implementation of the projects embedded in the IP as recognized in section 13. These will be revisited and assessed in more detail during project implementation to ensure adequate mitigation</p>
11	Norad has noted that the IP does not seem to reflect the Government of Uganda's original priority (such as bagasse co-generation).	Norway	<p>This is not correct. The Expression of Interest submitted to the CIF by the Government of Uganda to the CIF Admin Unit can be found <a href="#">here</a> put a great emphasis on Geothermal generation. We remind you that new pilot-countries were selected following a competitive process that analyzed all received expressions of interest from different countries.</p> <p>The IP reflects the views and priorities of Uganda.</p> <p>Bagasse co-generation is low hanging fruit and "business as usual," which should benefit under the GETFIT programme in the Country. It was one of the technologies considered but for the reasons stated in the stakeholder consultation section of the IP it was not selected for a number of reasons. First, the bagasse co-generation project as proposed by GoU would be extremely challenging to implement by any MDB. The initial proposal of adding a tariff top-up (similar to what GetFit does) in order to make IPPs bankable could not be implemented due to the unavailability of appropriate financial instruments that would pose significant challenges related to fiduciary risk. In addition, the MDBs discussed other ways of supporting bagasse co-generation, such as applying a capex subsidy following a competitive tender process. . As a consequence, it was agreed that other alternatives would be sought.</p>
12	If the MDBs lack appropriate financing instruments to promote renewable energy projects, this also shows the benefit of bilateral assistance and other more flexible aid mechanisms.	Norway	<p>It is true that bilateral assistance have more flexible aid mechanisms. In addition, MDBs have a wide range of financial instruments that were developed to respond in an efficient manner to the needs of their clients.</p> <p>Both MDBs and the Government of Uganda recognize the importance of bilateral assistance. This is why bilateral donors were consulted throughout the preparation phase of the IP with a clear and objective attempt to complement on-going bilateral donor work (eg. GetFit).</p>

13	Norad would like to see the IP make an assessment of the necessary topping-up of the feed-in tariff for geothermal electricity.	Norway	<p>Considering the early stage in the development of the technology, this exercise requested by Norad is not possible as it relies on many parameters that will only be available after the SREP project. These include: (i) the potential of the wells drilled, (ii) the quality of the steam, (iii) the levelized cost of the respective generation infrastructure, (iv) the cost of financing, and among others (v) the levelized cost of the required transmission infrastructure.</p> <p>With the contribution of SREP having addressed the barrier of high cost in Geothermal exploration, based on the parameters of the project an appropriate tariff will be determined. It is at this stage that Government will make an assessment of the top up if it will be required.</p> <p>Topping up a feed-in tariff implies that the REFIT at the time will not be viable and attractive to IPPs. At this stage it would be premature to propose a top-up to a tariff for a project not fully studied.</p> <p>The project under SREP is to develop this nascent technology and IFC will support the government with its advisory services, which will also include an assessment of costs and tariffs. Please refer to the concept note in Annex 1</p>
14	The geothermal component assumes a leverage factor in the order of 10. This does not seem realistic. As a comparison, GetFit (working with proven generation technologies in Uganda) assumes a leverage factor between 4 and 5.	Norway	<p>This represents an estimation based on figures provided by other countries, namely in Kenya in the implementation of the SREP Geothermal Menengai project.</p> <p>The co-financing figures include the resources required for the exploration phases as well as the funds required to design and build up to 130 MW of geothermal power plant potential.</p>
15	Norad has noted that the IP assumed that other Development Partners (DP) and Developing Financing Institutions (DFI) than the MDBs will provide USD 48 million. Norad questions this assumption, given that more of these are already funding GetFit. Norad would also like to see the IP assess the realism of the Government of Uganda to provide USD 15.9 million (USD 7 million, USD 2.1 million and USD 6.8 million for the geothermal, solar and wind components respectively).	Norway	<p>At this stage, this is an assumption that by no means commits bilateral donors in anyway.</p> <p>It is dependent on a number of factors (sovereign debt distress level, interest from specific bilateral, IDA and ADF funding available, etc.). Other alternatives shall be considered in due time depending on the market conditions at the time of financial close. This is common in the financing of capital intensive infrastructure.</p>

			<p>The IP being a national document endorsed and owned by the country should represent a sufficient commitment to co-finance being considered by the Government of Uganda.</p> <p>This is a strategic planning for the Country, as the large hydro sites are developed, and being exhausted, Government identifies new priorities areas of development and investment, so this is the direction for near future development. Counterpart Funding are going to be provided for the development of the strategic resources of geothermal and wind.</p>
16	<p>Table 13 presents a ranking of generation technologies, giving geothermal the highest score and solar PV the second highest score. Wind has achieved the fourth highest score, higher than hydro (1-10 MW). This ranking seems arbitrarily. Norad questions more of the assumptions and the justification of those. One example is the premise that geothermal and wind, i.e. two technologies with no track record in Uganda, have a higher leverage factor than hydropower.</p>	Norway	<p>Explained in all the above,</p> <p>Hydropower could have scored higher if there were free hydropower sites available. In reality there are no free sites for hydropower that would provide the increase in generation capacity we are looking for.</p> <p>Although all technologies were ranked in accordance with the SREP Investment Criteria that were developed at the time SREP was designed that can be found in the SREP Program Modalities</p> <p>These include among others: (i) transformational impact, (ii) economic, social and environmental development impact, and among others (iii) leveraging of additional resources.</p> <p>The assessment on the transformational impact of the SREP proposed interventions is <b>vital</b> to this exercise. Pouring more money on an already well-established facility such as GETFIT would lead to replication of efforts and low impacts in terms of transformation.</p> <p>The IP was developed under the understanding that SREP interventions should be transformational.</p>
17	<p>Norad's assessment is that it is relevant for Uganda as such to develop its geothermal resources. Among others, Norad agrees that geothermal electricity is a good contribution to diversification of Uganda's generation mix.</p>	Norway	<p>This is well noted and appreciated.</p> <p>One of the issues with the energy mix of Uganda is its high dependence on hydro resources for power generation. The frequency of droughts have increased in the country over the years which caused considerable problems to the generation capacity of the country given it's heavily dependence on hydro resources for electricity generation. The</p>

			Government of Uganda hopes that SREP can pay a huge contribute in addressing this climate vulnerability.
18	As also stated in the IP, GoU wanted SREP to promote bagasse co-generation of electricity. It will also take more years to develop geothermal generation. The IP makes reference to issues as long gestation time, high capital intensiveness and corresponding high risks and a missing legal and regulatory framework for this technology. Given that there are more advanced hydropower, bagasse co-generation as well as solar electricity projects, Norad cannot understand why SREP does not prioritize these projects. Although it is important to diversify Uganda's electricity generation mix, it is even more important for Uganda to get fast access to more renewable electricity.	Norway	<p>This is not correct. Please see answer #11 above. The same issues addressed above. Annex 3 also explains that the possibility of using SREP money to finance mini-hydro power plants that do not benefit from the GETFIT program was also considered. Currently, three sponsors have applied for GETFIT and will not be approved as all funds under the current GETFIT program were fully committed. SREP involvement in hydro could be regarded as non-transformational given the high contribution of hydro to the energy mix and the fact that some larger scale hydro projects are expected to come on-stream in the near future. SREP should make an effort to support technologies that would lead to a better diversification of the country's energy mix and make it less vulnerable to the adverse impacts of climate change (e.g. droughts).</p> <p>One of the SREP objectives is also to address the "missing legal and regulatory framework" for renewable technologies. This is an issue the Government feels it is well addressed in the document.</p>
19	Kenya has already developed one geothermal project. The IP contains no documentation how lessons learned from Kenya has informed the planned approach in Uganda. One issue that has not been discussed is to what extent a private developer is willing to rely on studies undertaken by an another actor.	Norway	<p>Uganda Task team shared the Kenya Experience to prepare the Uganda IP. Kenya IP is available for information. – we do not duplicate documents</p> <p>The Kenya geothermal development program is widely known across the border in Uganda and has been a source of inspiration as well as experience/expertise.</p> <p>Indeed, the Government of Uganda has entered into a partnership with the Kenyan Geothermal Development Corporation (GDC) to support the country in the development of its geothermal resource and this the primary channel for exchanging and building on lessons learned in Kenya.</p> <p>The issue of the <i>extent a private developer is willing to rely on studies undertaken by an another actor</i>" is also irrelevant at this early stage in geothermal resource development, since there is no firm resource proven in the country and all existing studies are preliminary and useful only in advancing the exploration phase of geothermal. As seen in other countries, private sector participation usually comes in at a later stage once capacity is commissioned for power plant development. These will require their own viability studies.</p>



20	<p>The budget of the solar PV component is USD 9.4 million. Although likely to be relevant, the IP does not have any discussion of the added value of this component compared to the increased dissemination of solar lanterns through the private sector.</p>	Norway	<p>This is a choice made by the Government of Uganda. The envisaged mini-grids have specific relevance to isolated island communities where grid connection is not feasible. Mini-grids also the potential to provide a much more developmental impact than the dissemination of solar lanterns as, not least because they cannot provide power for multiple household appliances as well as “productive uses” solar lanterns are the hanging fruits “business as Usual and do not need SREP funding.</p> <p>In addition, the main long-term objective of the solar PV net-metering component is to have the private sector playing a key role in scaling-up this initiative across the country</p>
21	<p>Norad questions the relevance of facilitating wind power in Uganda at this stage, given the still untapped potential in already proven generation technologies in Uganda.</p>	Norway	<p>Please refer to some of the answers above. The untapped potential of proven resources is already being explored by other investors and partners. Hydro power, for example, is a well-know, mature and established generation sector. On-grid Solar PV is now being tested by GetFit. Wind is also a proven/mature technology that offers strong complementarity with hydro and solar, and has track record in the East Africa region. A close look to the project concept note and respective investment project preparation grant shows that a core component of this intervention is to make a detailed wind assessment (still missing) of the Karamoja region, known in the country as the place with best conditions for wind generation. This assessment, coupled with other enabling environment interventions, can be highly catalytic for this generation option.</p> <p>Historically, the lack of credible wind data has been identified as a key barrier to wind technologies in Uganda.</p>
22	<p>There is no description of how SREP will coordinate and cooperate with GRMF. Among others, there has already been discussions between GRMF and the Katwe Geothermal Project.</p>	Norway	<p>The Katwe Geothermal Project is a private-sector led project with a company that holds a concession to undertake the geothermal exploration on the site. Other companies in similar situations exist in the country.</p>

			<p>One of the lessons learned in Uganda over the last years is that these private companies have made little progress in moving forward with the exploration due to the high risk nature of such exploration.</p> <p>Well-known studies show that this early risk is best assumed by the Public Sector. This is the case in Kenya for instance.</p> <p>As part of the SREP geothermal project, the country will target two of the most promising sites based on preliminary surface studies that are free of licenses or concessions to the private sector. This is highlighted in the IP.</p>
23	<p>The planning process has been described. Apparently, the process has been inclusive. However, given the fact that SREP has not chosen GoU's preferred generation technology and has not been willing to co-fund with GetFit, Norad's assessment is that the planning process has not been satisfactory.</p>	Norway	<p>We would disagree with this statement. The drafting of the Uganda IP and all the preparatory meetings that led to the creation of consensus are led by the Government of Uganda, which is ultimately responsible for the decisions made in the document. As mentioned in answers #3 and #11, the expression of interest, which was the document on which Uganda was initially chosen to participate in the SREP program, highlighted geothermal as a priority technology for development.</p> <p>SREP guiding principles disqualified the mentioned areas because they have attracted a lot of financing, SREP targets marginalized areas with huge potential. Kindly join SREP to break into unprioritized areas to become priority areas.</p>
24	<p>The analysis of the need of more electricity generation capacity is sound. The geothermal projects are situated in the Ugandan Rift System and most sites are either inside a national park or close to. This fact need to be highlighted and analyzed carefully.</p>	Norway	<p>This is well noted. These are not the first projects in the same area. Some large/small hydro sites and the recently discovered petroleum resources are in the same areas.</p> <p>The Government of Uganda has significant experience in dealing with MDBs and their thorough environmental and social safeguards.</p>
25	<p>Gender and social/environmental issues have been described thoroughly in the IP. However, there is no reference to fiduciary risks and corresponding mitigation measures. Norad assumes that the project appraisal documents will address these issues.</p>	Norway	<p>That's correct. Detailed gender assessments and action plans will be developed during project appraisal as part of the Environmental and Social Safeguards required by not only Ugandan law but also by MDBs.</p>

