

SREP INVESTMENT PLAN FOR UGANDA

COMMENTS FROM SWITZERLAND



SREP Investment Plan for Uganda
Questions and Comments from Switzerland
5 November 2015

Questions (Q) and comments (C)

1. Financing plan

- i) (Q) What is the requested grant vs non-grant split in the IP?
- ii) (Q) MDBS (AfDB) please explain the meaning of the sentence “the co-financing amounts presented for the geothermal project are largely dependent on successful exploration of the resource”. To what extent does that affect MDB co-financing? What is the MDB (AfDB) financing with its portion?
- iii) (C/Q) Given the need to mobilize USD 230 million private sector financing for the geothermal project, we see a significant uncertainty to the 130 MW power plant actually materializing, even if/after the resources are proven by the exploration wells. What is the MDBs’ (AfDB and IFC) assessment of the chances of success?

2. Results Framework

- i) (Q) Why does the wind component have no target for increased access to modern energy?
- ii) (Q) What are the targeted installed capacities for the three projects?
- iii) (C/Q) Assuming that the installed capacities are 130 MW for the geothermal project and 20 MW for the wind project, the expected outputs in GWh/y are not consistent. Please explain the figures/assumptions.
- iv) (C/Q) The output from the solar PV installations seems low in relation to the investment. Please explain.
- v) (C/Q) The targeted 462 kWh per capita electricity consumption by 2020 seems very high in relation to the baseline? How realistic is this target in the eyes of the MDBs?
- vi) (C) We appreciate the rather ambitious objectives of the IP but would like to caution that these are essentially depending on the success of the 130 MW geothermal project, which seems rather risky.

3. Geothermal project (in addition to the questions/comments raised before)

- i) (Q) What is the time frame for the geothermal project from the approval of the IP to project submission and approval by the SREP SC and the MDBs, over to the exploration drillings, field development, PPP tendering and construction by a private developer of the power plant and transmission infrastructure?
- ii) (Q) To what extent are the costs for transmission lines needed to connect the geothermal power plants to the grid included in the cost estimates? Who will be responsible for the transmission line, the utility or the developer of the power plant?
- iii) (C) The estimated/identified geothermal potential in Uganda is 450 MW vs 7000 MW in Kenya. The more advanced Menengai project in Kenya was recently re-dimensioned from 400 MW to 60-120 MW after and as a consequence to the exploration phase. To what extent is such a (likely) development “priced” into the IP? How is it justified that 68% of the SREP resources are concentrated on the rather high risk geothermal project?
- iv) (C) The estimated overall costs of \$388.8 million for 130 MW (i.e. \$2990 per kW) is at the upper range of the IRENA cost estimates for direct/flash technology geo-

thermal power generation (\$1900-3800). There is some concern that the costs would be too high to attract private sector investment for plant construction and infrastructure if the proven field resources are significantly lower than 130 MW.

4. Solar PV mini-grids and net metering
 - i) (C) We take note that the GoU considers that SREP would have a little role to play in the scale-up of on-grid solar PV, taking into account the other programs running in Uganda and the relatively increased affordability of solar PV technology as equipment prices decrease. However, we caution on the general assumption that programs to involve private sector investments will be automatically successful once cost covering feed-in tariffs are set. SREP, in particular with the rather large availability of highly concessional capital, could in our opinion also play a decisive role in scaling-up or accelerating programs which are just in their starting blocks.
 - ii) (Q/C) The net-metering component seems to be confined to public buildings (p.85 "rooftop systems in national buildings") Why? Net metering is a good model to motivate (private) consumers to generate their own electricity with the possibility to exchange excess production against supplies at other times. A restriction to public buildings fails to unleash the potential of net-metering to raise private sector investments.
5. Wind power
 - i) (C/Q) Also regarding wind power, there is little/no ambition to motivate private sector investments? Why? In the international context, wind power is already recognized as a commercially viable investment for the private sector.