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Key ingredients to the development of independent power projects in Africa

Arun Velusami
Partner
Norton Rose Fulbright LLP
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The demand for power

Examples of private sector investment

- South Africa – renewable energy programme
- Nigeria – Power sector privatisation
- Namibia – number of greenfield independent power projects (IPPs)
- Kenya – Geothermal programme

Utility

- Typically the main power generator and supplier
- Support from utility critical to successful IPPs
- Long term offtaker under a power purchase agreement (**PPA**)
- Risk allocation in the PPA must be bankable
- Tariff must be sufficient to cover costs of developer

Developer

- Local developers
- International developers
- Development risk
- Equity Funding
- Equity Return

Government

- Ensure a stable investment environment
- Concession vs Implementation Agreements
- Sovereign Guarantee
- Support for Government Risk and Political Force Majeure
- Regulatory stability

Lenders

- Types of Lenders:
  - DFIs
  - Commercial banks
  - ECAs
- Typically fund 70% of the construction costs
- Long term financing
- Extensive due diligence
- Project contracts must be bankable

World Bank

- IFC can provide debt
- MIGA can cover certain risks:
  - Currency convertibility
  - War, terrorism
  - Breach of contract
  - Non-honouring of sovereign financial obligation

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