

# Ethiopia's REGREP on reality

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James Hebert

01/05/2019

Ethiopia has seen three separate solar programmes reach significant milestones during the course of April (2019) – but a more important event last month was the emergence of the Renewable Energy Guarantee Programme (REGREP) that may lead to the East African state's first ever utility-scale solar PV.

At present the government's [Growth and Transformation Plan II](#) (GTP2) outlines an energy policy with the addition 300MW of such power generation by 2020. This brings to bear the multifaceted approach by Ethiopia towards solar – to this end at least three paths are being followed:

- [100MW Metehara IPP](#)
- [250MW round 1](#) – IFC's Scaling Solar PPPs
- [500MW round 2](#) – MoFEC's PPPs

All three have simultaneously presented both problems and solutions during their development so far – for example, land disputes on one project led to government action on land rights in another.

Some of the encountered issues are to be resolved by the new PPP unit which was established in [May 2018](#), but the biggest innovation is the creation of REGREP to entice both private investment and provide security for offtake payments.

## REGREP and the new PPP legislation

REGREP is a \$200 million initiative designed to provide guarantees for both the offtake and loan agreements on renewable energy projects, with a particular focus on solar due to its inspiration.

The World Bank-backed REGREP consists of:

- IDA payment guarantees: letters of credit covering six months of tariff revenues
- IDA loan guarantees: intended to mobilize private sources of finance for energy projects

Several sources have expressed pessimism that the developers of these solar projects could depend on the availability of funds from commercial banks, and such the developers are still widely expected to obtain the required debt financing from DFIs. However many multilaterals – such as the World Bank – will likely be satisfied by an enabling environment for private sector involvement in the Ethiopia's energy sector.

The chief component of REGREP is almost certainly to support offtaker obligations – all three solar programmes will feature 20-year PPAs signed between the developer and national utility Ethiopia Electric Power (EEP), but there was no system in place to prevent EEP from defaulting on payments. The payment guarantees aspect of REGREP “draws on the [IFC's] Scaling Solar platform” which requires that the EEP provides a security of an amount to be agreed with the government for payments under the PPA.

REGREP originates from the IFC's programme, but “participation in Scaling Solar is not a prerequisite to qualify for the guarantee programme” EEP says, hence REGREP's wider eligibility. For the programme's first foray, the EEP is expecting to provide up to \$30 million from the \$200 million budget to support the Metehara project.

There have been issues on Metehara ever since it was launched in January 2017 – the government has since promised to be proactive on these, including:

- low viability of project financing from local funding sources
- no “one-stop shop” service for licencing and approvals
- the question of a payment guarantee from EEP

REGREP may resolve two of these – the other solution might be resolved by the introduction of PPP legislation in 2018 which demonstrated evidence of the government’s willingness to respond. MoFEC established a PPP unit in May 2018 – the Office of the Public-Private Partnership (PPP Office). This was followed a little while after by MoFEC’s approval of a new PPP directive in August 2018, and then the announcement of 17 PPPs in the energy and infrastructure sector in [October 2018](#).

The government has picked up lessons from both the development of Metehara and the IFC’s Scaling Solar programme and applied them to new PPP legislation and its REGREP tools to support the development of all three solar tenders as they proceed from April’s significant milestones towards Ethiopia’s place in the sun.

### The IPP experience

IPP is “a recent phenomenon” in Ethiopia a local source told *IJGlobal*. The framework for IPP is still relatively new, having only started to be implemented in late 2017. Three power projects have been launched under the IPP format since then, two of them geothermal – Corbetti and Tulu Moya – and the third consisting of 100MW of solar.

This 100MW facility is at Metehara, in the Oromia region. Over 60 companies were prequalified for the IPP but only five consortia were left in the final bidding stage, including FRV, the Meridiam-Solaredirect consortium, Building Energy, and CCE Oasis. In the end the solar project was awarded on [23 October 2017](#) to a consortium consisting of:

- Enel Green Power (EGP)
- Orchid Business Group

Italian renewables developer EGP’s consortium partner Orchid is an Ethiopian infrastructure developer.

A source told *IJGlobal* that the estimated cost of Metehara is approximately \$200 million.

The environmental and social impact assessment (ESIA) on Metehara commenced on 23 January 2017 – long before the conclusion of the tender – but the detailed studies and consultations with local inhabitants of the selected 25ha site were put off for a lengthy period due to a land dispute. The chosen site was within an area earmarked for an irrigation project by the Fentale woreda – a district within the Oromia region. Finally on 23 October 2018, the irrigation project was relocated by the woreda and the ESIA work could resume.

For now the delay appears to be over with the ESIA and resettlement action plan (RAP) completed last month (April 2019) to conform to DFI standards. The EGP-led consortium is expected to sign a 20-year PPA and implementation agreement with energy utility Ethiopia Electric Power (EEP) in August (2019), *IJGlobal* understands.

The project is well into the development phase though there is no estimated commercial or financial close date, a source told *IJGlobal*. Commercial operations are slated to begin in April 2021.

USAID is advising EEP through its Power Africa initiative. The World Bank recommended the firm that carried out the RAP, while ESIA was put out to tender. These firms are:

- Mid-Day International Consulting Engineers – RAP
- Multiconsult – ESIA
- Shebelle Consult – ESIA

Shebelle Consult is a local firm based in Addis Ababa. Enel sources confirmed that the Italian developer has an advisory team in place for the legal, financial, and technical roles for Metehara but does not reveal their identities publicly.

### The IFC's Scaling Solar treks east

April has been a strong month for the Scaling Solar programme in general as IFC announced the commissioning of the \$56 million, 54MW Bangweulu project in Zambia, the anticipated financial close of two further projects in Senegal “in the coming weeks”, and now the issuance of RFPs for up to 250MW of solar in Ethiopia caps off a successful month all round for solar PV in Sub-Saharan Africa.

The Scaling Solar programme rolled into the East African state in [October 2017](#), with 12 prequalified by [March 2018](#). The RFP documents went out to firms on 4 April (2019), with a deadline set for [the end of June](#). Up to 250MW of solar over two projects are on offer, these (and their estimated costs) are:

- 125MW Gad Solar Scale (phase I), Somali – \$150 million
- 125MW Dichato Solar Scale (phase I), Afar – \$150 million

Disputes over project siting are unlikely to present an issue here – the government facilitated the acquisitions of land rights ahead of the procurement process, which should avoid the year-long ESIA delay that occurred on Metehara.

Scaling Solar is considered to make up ‘round one’ of Ethiopia's solar PPPs. The results of the RFP tender are expected in Q3 2019.

### **The new PPP Office's projects drive**

An additional four PPPs with a combined power output of 500MW are being tendered separately by from the IFC. These are considered ‘round two’ of the solar PPP initiative.

The PPP Office announced round two in its [October 2018](#) launch of 17 new PPPs of both energy and infrastructure projects. Six of the 17 are known to be solar projects, with two of them already part of the IFC’s Scaling Solar programme.

The other four projects – under the MoFEC banner – and their estimated costs are:

- 150MW Wolenchiti solar, Oromia – \$165 million
- 150MW Weranso solar, Afar – \$165 million
- 100MW Humera solar, Tigray – \$120 million
- 100MW Mekelle solar, Amhara – \$120 million

RFQs were issued on 16 April (2019) with the deadline for bids set for [29 May](#). Feasibility studies for a further two solar PPPs – 125MW sites at Metema and Hurso (\$150 million each) – are being finalised and will soon be put out to tender, a source told *IJGlobal*.

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