GET FiT Uganda:

Lessons Learnt for future implementation of a successful PPP programme

Dr Mark Schwiete

Energy East Africa
KfW Development Bank

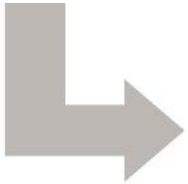
Bank aus Verantwortung

Index

1	**GET FiT Programme – An Innovative Approach to Energy Financing**
2	Lessons Learnt & Roll Out

Generic challenges in Africa to private investment in renewable energy - context

1	Incomplete / incoherent reform	Weak design and faulty implementation of sector unbundling and renewable energy promotion programs (including standard documentation)
2	Political and commercial risks	Detrimental country risk profiles and weak offtaker structures, with payment risks
3	Inadequate incentives / RE regimes	RE promotion programs (such as FiTs) offer inadequate commercial incentives especially for early-movers
4	Technical / Engineering issues	Grid integration of renewables requires significant investment in transmission infrastructure



Long-term debt finance and equity are hard to come by, terms and conditions are generally punitive

Few renewable deals have come to close / gone into implementation

GET FiT Uganda's approach was comprehensive

Technical Assistance, Guarantee Framework, Incentive Mechanism

1	Technical Assistance	Targeted assistance for FiT implementation guidelines, standardized contract documentation, competitive procurement process etc.
2	Guarantee Framework	Political and commercial risk insurance products (partnership with World Bank PRG Program)
3	Incentive Mechanism	Results-based premium payment on top of REFiT to incentivize developers/ financiers to enter the market
4	Interconnection/ Grid Integration	Grants and concessional loans to allow public side to ensure timely and reliable grid integration and interconnection of small RE

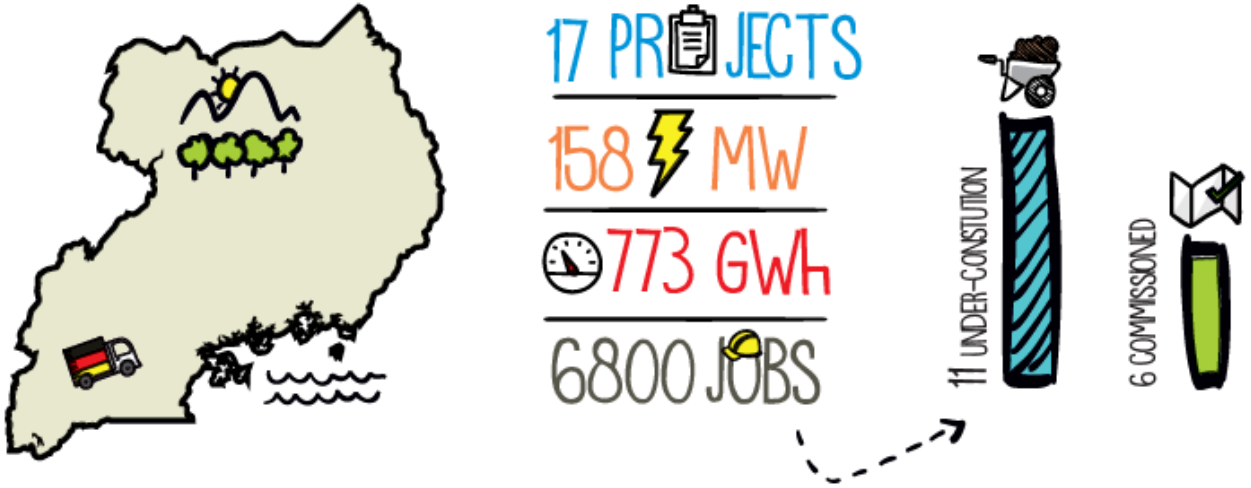
- Remove legal and regulatory hurdles for private investment
- Mitigate political and commercial risks
- Provide an attractive risk-adjusted return for early mover investors
- Unlock commercial finance for renewable energy deals

GET FiT – Objectives achieved to date

Biomass, Hydro and Solar Facilities

Total GET FiT commitment: € 93m, private investment of € 450m

STATUS AS OF
JANUARY 2018



Index

1	GET FiT Programme – An Innovative Approach to Energy Financing
2	**Lessons Learnt & Roll Out**

Get Fit Uganda

Lessons Learnt for Future

Four themes in how we see experience in Uganda helping roll out GET FiT to other countries:

› *Lack of project preparation*: every proposal in Uganda showed some weakness or weaknesses: e.g. on how to tackle low quality or missing hydrological data and incomplete civil and M & E design concepts.

› *IFC Performance Standards*: required inordinate amounts of attention by the Secretariat, advisors and the Investment Committee.

› *Completing a GET FiT programme*: from planning through to the last payment to the last project may take ten years. This requires funding rigorous supervisory management on a sustainable basis.

› *Embedding processes*: Uganda is well advanced in terms of liberalising its electricity market, though it still has work to do on enforcing E & S standards. Other countries have made less progress and may need more support in ensuring that processes introduced with GET FiT live on after GET FiT

Absolute key factors for success in Uganda

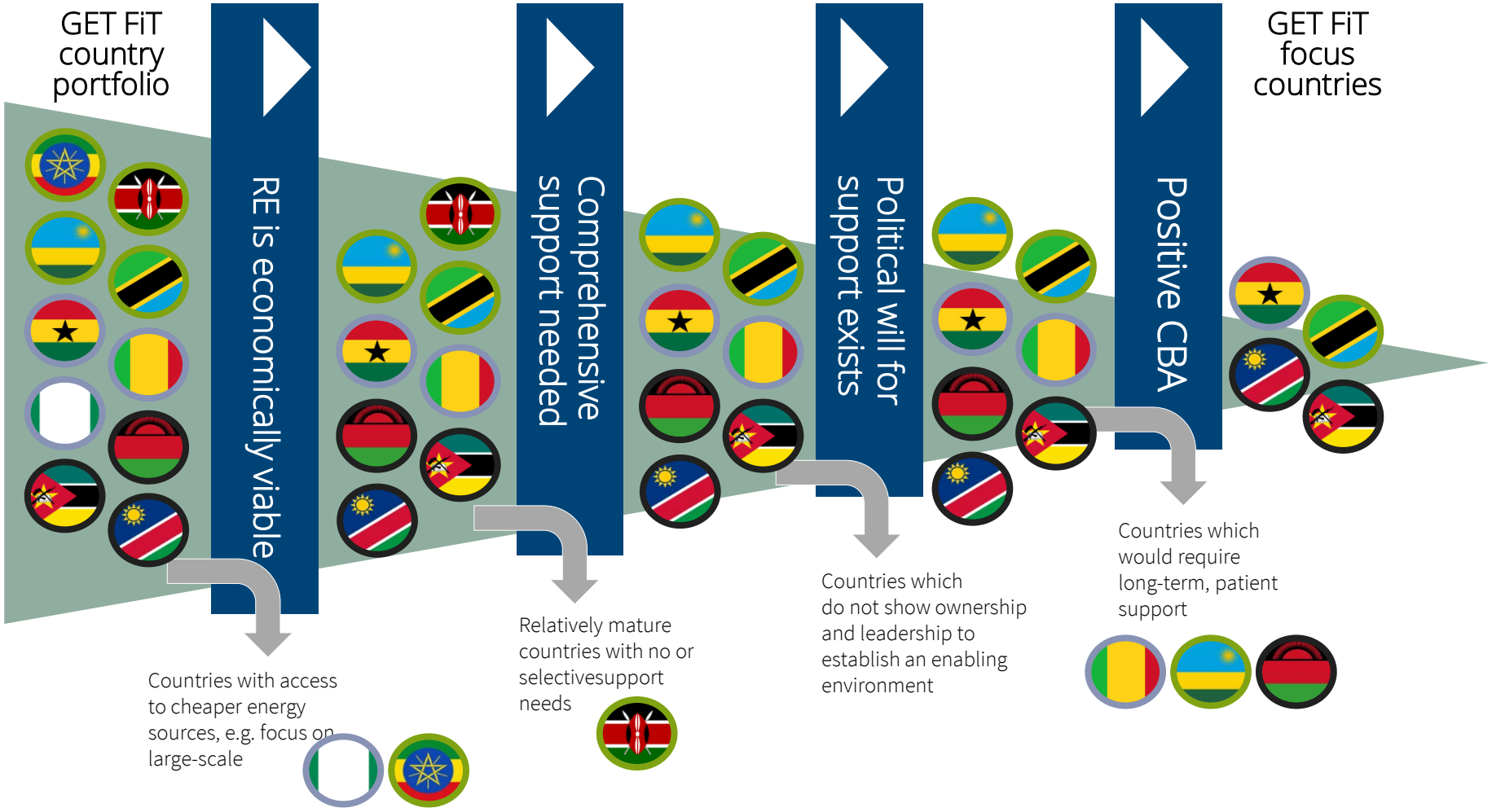
Need to be replicated as far as possible in any roll-out

- Getting the legal and regulatory framework right (standardized contracts!)
- Mature Project pipeline (or facilities to support project development)
- Adequate funding for supervision and management (consultancy costs!)
- Support to developers in achieving IFC Performance Standards
- Analysis of technical assistance needs in the sector and tailor-made TA (beyond the programme executing agency if needed)
- Realistic timelines and mechanisms to incentivize fast-tracking
- Interconnection and grid integration is a huge challenge and must be addressed and/or monitored within the programme

→ Financing not an issue if the rest is right

(DFIs passive initially but then eager to finance; commercial banks constrained)

Analysis of roll out potential



The Race is on – GET FiT gains momentum in Southern Africa

Babette Stein von Kamienski

Head of Division – Infrastructure – Southern Africa

Innovate4Climate Conference – 23rd May 2018

Bank aus Verantwortung

KFW

GET FiT Programme

Stimulating private RE investments in Zambia

GET FiT: Global Energy Transfer Feed-In Tariff

Why GET FiT Zambia?

- Well balanced incentive and de-risking tool to *stimulate private investments* in RE
- *Flexible concept* with interchangeable components
- *“donor approved”*
- *Successful implementation* record in Uganda

KfW-Bildarchiv / photothek.net

GET Fit Zambia

Objectives

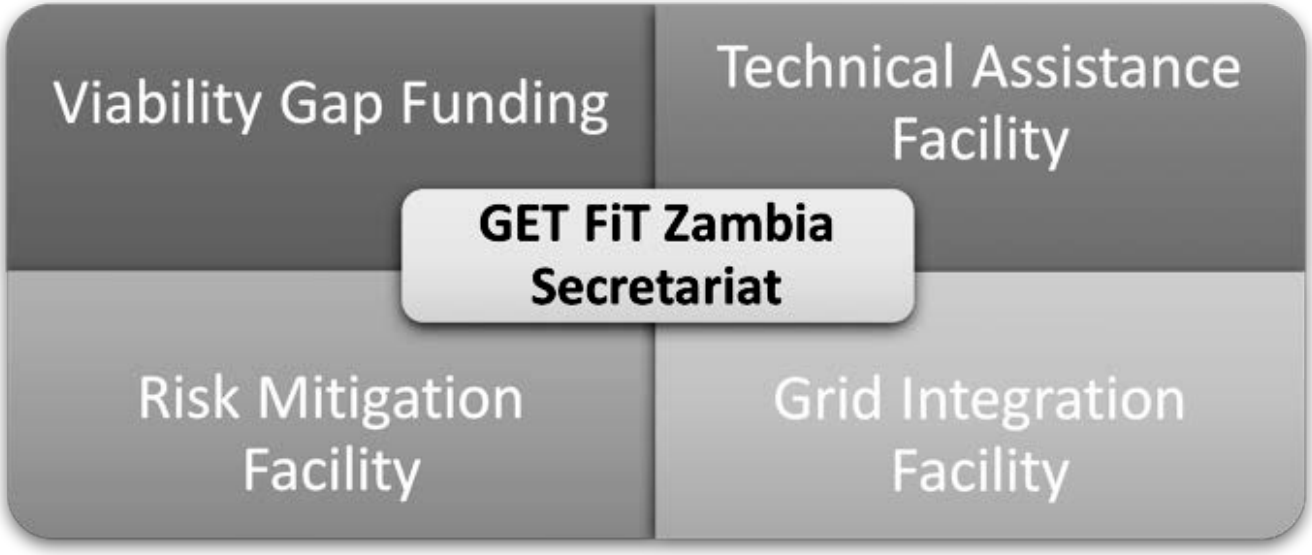
- Bringing about *200 MW of RE* on the grid by 2020, contributing to filling Zambia´s clean energy needs
- *Reducing CO2 emissions* by 10m tons (20 years project lifespan)
- Facilitating access for at least *130.000 additional consumers*
- *Leveraging private capital* into the power sector and establishing precedent transactions that can be replicated going forward
- *Building capacity* in Government to open the sector to private investment

KfW-Bildarchiv / photothek.net

KfW-Bildarchiv / photothek.net

GET FiT Zambia: Implementing the Zambian REFiT Strategy

Four interlocking program components



GET FiT Zambia Round 1

Solar PV tender

Round 1: Solar PV tender for up to 100MW

- The solar PV tender will be a reverse bid auction
- The Request for Qualification was launched on 9th April 2018
- ZESCO is the offtaker
- The selection of projects will be based on price competition, subject to bidders fulfilling conditions in the tender documentation
- We do not expect to provide Viability Gap Funding for the Solar PV tender as the market is highly competitive and should generate attractive tariffs without further tariff enhancements

KfW-Bildarchiv / photothek.net

KfW-Bildarchiv / photothek.net

GET FiT Zambia Round 2

Hydro tender

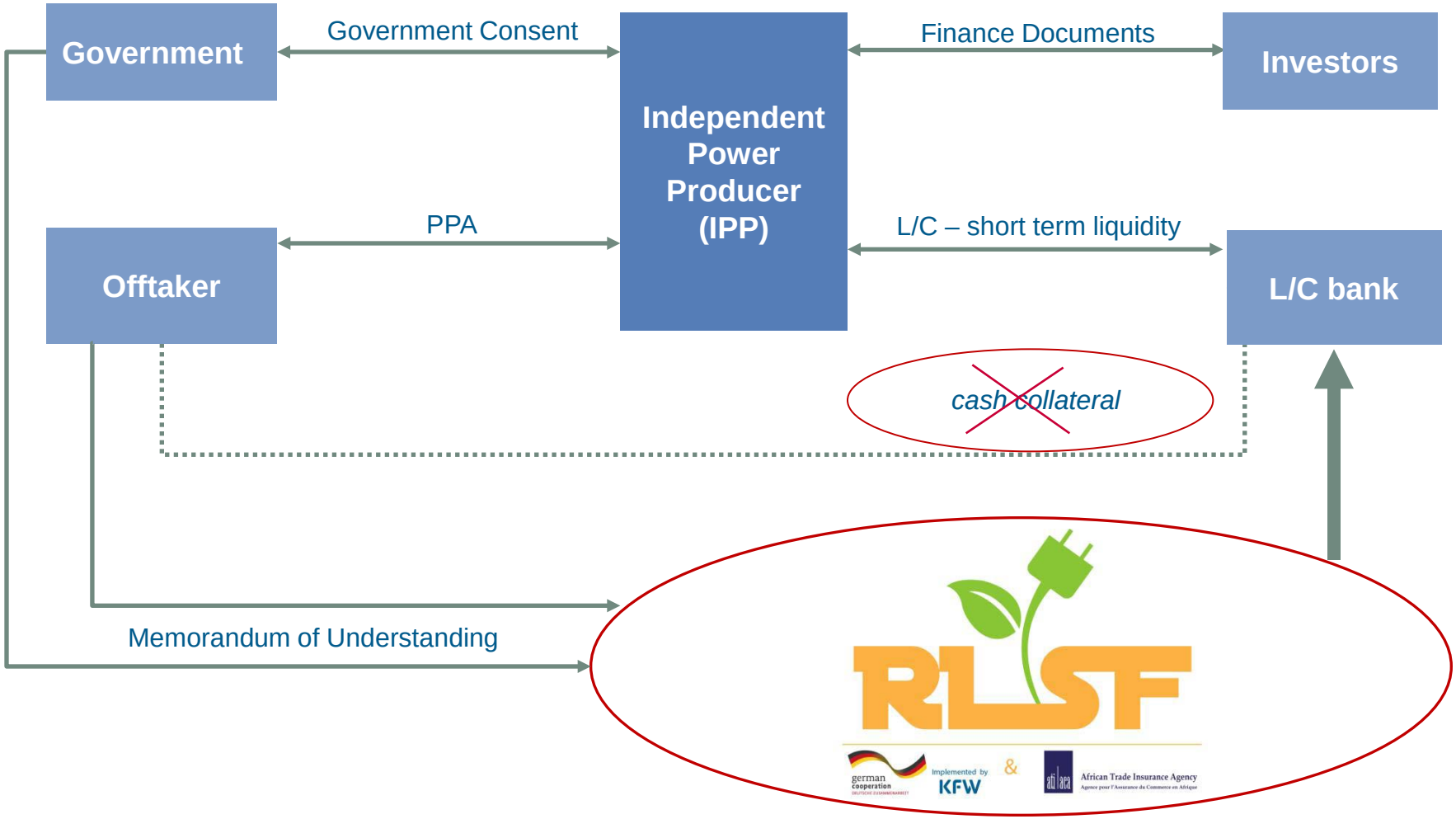
Round 2: Up to 100MW for hydro power

- First Tender by the end of 2018. Additional windows planned for 2019 and 2020
- REFiT tariff for small hydro power is currently under revision by ERB, and updated tariffs should be released sometime in Q3/Q4 2018
- Legal documents developed for the GET FiT Zambia solar PV tender will be adapted for hydro projects

KfW-Bildarchiv / photothek.net

Regional Liquidity Support Facility

Mitigating Offtaker Liquidity risk



Invest4Climate

››› Thank you again for your attention and interest in GET FiT Zambia!

If you have any questions about the solar PV tender, please write to solar@getfit-zambia.org.

For more general questions about the program, please write to info@getfit-zambia.org or check out the website at getfit-zambia.org.

GET FiT ZAMBIA

Bank aus Verantwortung

KFW

Discussion

Can the private sector substitute the tasks of the public sector in the field of energy in Africa?

Private sector can only develop its potential if the public sector sets the right frameworks - what needs to be done by countries to better enable private sector?

Do we support international IPPS too much? How do we support local developers in countries such as Zambia?

Is there need to support private developers to meet environmental and social performance standards?

References

Slide 2, Picture 1: Multiconsult/Get Fit Annual Report

Slide 6, Picture 2: Multiconsult/Get Fit Annual Report

Slide 6, Picture 3: Multiconsult/Get Fit Annual Report

Slide 6, Picture 4: Multiconsult/Get Fit Annual Report

Slide 11, Picture 5: KfW-Bildarchiv / photothek.net

Slide 12, Picture 6: KfW-Bildarchiv / photothek.net

Slide 12, Picture 7: KfW-Bildarchiv / photothek.net

Slide 14, Picture 8: KfW-Bildarchiv / photothek.net

Slide 14, Picture 9: KfW-Bildarchiv / photothek.net

Slide 15, Picture 10: KfW-Bildarchiv / photothek.net

Back Up

Bank aus Verantwortung

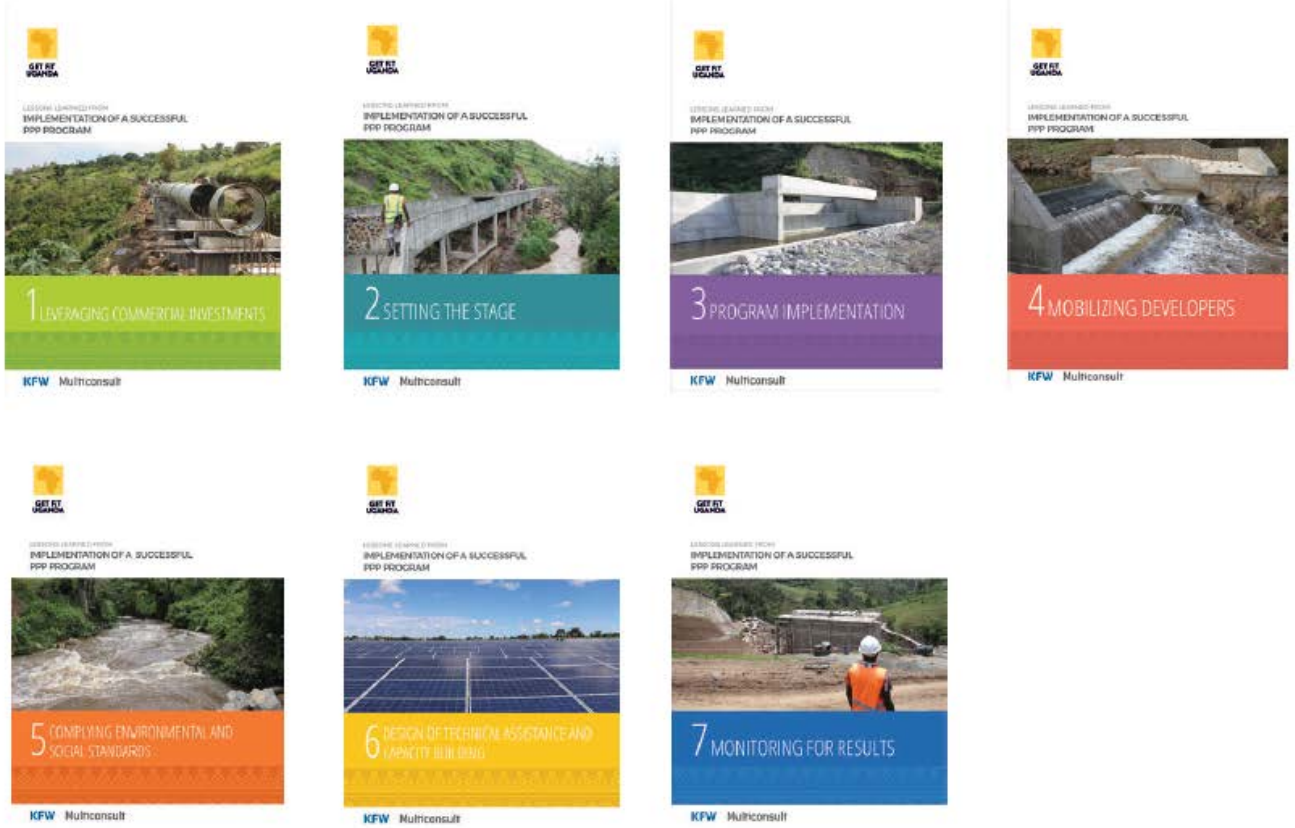
KFW

Lessons learnt for future

A series of briefing notes

› **Focusing on the insights gained from implementation of the GET FiT Uganda program that are relevant to the implementation of other PPP infrastructure programs in Least-Development Countries**

THE GET FiT
LESSONS LEARNED SERIES



GET FIT - Roll Out Program

Preparatory Studies to assess the prospects of a GET FiT type program in: Ghana, Mali, Nigeria, Ethopia, Kenya; Ruanda, Tanzania, Malawi, Mozambique, Namibia

Situation in the Power Sector	Legal, Regulatory, Instutional & Policy frameworks	RE IPP pipeline	Key bottlenecks for private investment in RE	Country-specific Outline for a GET FiT Program
› Supply situation generation & transmission › Share & future opportunities for Renewable Energies › Financial performance of the sector	› current energy sector framework › Policies incentivising investments into RE › Analysis of existing PPA and related documents for RE › Identification of key stakeholders facilitating RE development	› Developers › Equity partners › Technologies › Locations › Envisaged tariff	› Political risks & requirements for risk mitigation › Commercial risks & requirements for risk mitigation › Legal and regulatory risks › Review of existing REFiTs › Grid integration issues	› REFiT Tariff Support › Off-taker Support › Grid Integration › RE portfolio composition (~250 MW) › Technical Assistance › Economic Impacts › Buy-in commitment from partner governments