MINUTES OF THE NATIONAL CONSULTATION SESSION FOR “COGEN FOR AFRICA” PROJECT HELD ON 17TH FEBRUARY 2006 AT HOTEL EQUATORIA, KAMPALA, UGANDA

MEMBERS PRESENT
1. Eng. Dr. Albert Rugumayo ERT/MEMD - Chairman
2. James Baanabe MEMD
3. Makumbi Solome MEMD - Secretary
4. John Mukasa Kyasa Kakira Sugar Works
5. Salim Kalibusi Kakira Sugar Works
6. F. Nakhooda Kakira Sugar Works
7. Ggayi Philip Rural Electrification Agency
8. Tumuhimbise John MEMD
9. Ravi Bhatnagar SCOUL
10. Sajjabi Fredrick MEMD
11. Kawubi Daniel Lugazi Town Council
12. Benon Bena MEMD
15. Damali Namialo MEMD

Absent with Apology
1 Eng Paul Mubiru MEMD
2 Jack Mclean Kinyara Sugar Works
3 Eng. Gerald Muganga UETCL
4 Eng. Dr Frank Ssebowa ERA

AGENDA
1. Communication from the Chair
2. Presentation on Overview of the Cogen Project for Africa
3. Reactions from the Stakeholders
4. Concluding remarks and the Way Forward

MIN 1 COMMUNICATION FROM THE CHAIR

Eng. Dr. Albert Rugumayo, Coordination Manager for Energy for Rural Transformation (ERT) Programme in the Ministry of Energy, chaired the session that was officially opened at 9.45am. He welcomed stakeholders to the meeting and invited brief introductions.

In his opening remarks, Eng. Rugumayo informed the stakeholders of the purpose of the meeting, which was to make consultations on the Cogen for Africa Project being implemented by AFREPREN in collaboration with UNEP.
The outcome of the consultation will provide an input in the finalisation of the project document being prepared for submission to the GEF.

MIN 2 PRESENTATION ON THE OVERVIEW OF THE COGEN PROJECT FOR AFRICA

Mr. James Baanabe, an energy expert facilitated in the presentation on the overview of the Cogeneration Project for Africa. The presentation covered,

- Cogeneration in the sugar industries as an attractive option; Mauritius was highlighted as a successful case study, now supplying 40% of the entire electricity demand generated by cogeneration systems,
- The expected project scope and target,
- Projected outcomes of the project,
- Project barriers and specific activities to be undertaken to remove these barriers, and
- The current status of the project.

MIN 3 REACTIONS FROM THE STAKEHOLDERS

1. The sugar factories need to have a guarantee, after selling power to the grid, that they can get power when they need it during maintenance periods when their factories are shut-down. This was cited as a barrier by the sugar factories.

2. There was need for government to speed up the process of introducing a Renewable Energy Policy, which among others addresses the issue of a standardised Power Purchase Agreement (PPA) for small producers such as co-generators. This should be finalised by the end of March 2006.

3. A Take or Pay contract was the preferred option by sugar factories and not an energy contract.

4. A fund to protect investors should be set up just in case the sugar factories are not paid for the energy they have delivered.

5. The Electricity Act of 1999 does not provide for some issues such as “banking” and “wheeling”. Furthermore, it provides for only one bulk supplier – UETCL and bulk purchases. There is need to amend these aspects of the law to promote cogeneration.

6. It was clarified that the Cogen office had not been established. It will be set up during the stage of project implementation. A decision has not been taken as to where the centre will be located.

7. Kakira Sugar Works stated that the contract made (PPA) should be for a reasonable time, at least 10-15 years.

8. The implementation of the Cogen projects will be by the private sector – the sugar factories. The Cogen project will assist in the removal of barriers during the various stages of the project cycle.
9. Cogen projects implemented will be linked to the ERT project so that they access other benefits such as the subsidies from the Rural Electrification Funds.

10. Cogeneration cannot be done throughout the year since the boilers have to be shut down for maintenance and inspection once a year. This should be taken into consideration while developing contracts. When the factories shutdown, they will need power from the grid. Alternatively, they would have to retain bagasse for production during shut down hence reducing on the amount of power available for sale to the grid.

11. Stakeholders were requested to forward written comments on the project.

12. Development Finance Company Uganda Ltd (DFCU) gave a brief on what they have done in the energy sector in the past, such as the leasing of equipment using the Energy Fund which was obtained from Shell Foundation.

13. DFCU was willing to consider creating a product, which would give credit facilities to entities, interested in cogeneration and other energy related activities.

14. DFCU requested Government or the project to consider taking part of the risk by providing a guarantee. This would provide confidence to the financial institutions.

15. The need for financial intermediation in Energy projects was highlighted. Capacity building shall be provided to the financial institutions to understand aspects of cogeneration projects.

16. A one-stop centre regarding development of electricity generation projects was required. Generally it is not clear if the major institution to get projects moving is ERA, REA or MEMD.

17. Cogen for Africa is a regional project, which will have offices in the countries where it will be implemented. These country offices will have experts who will provide the technical assistance required as will be specified in the project document.

18. SCOUl had presented its proposal for cogeneration. The project has requested for a subsidy, which is to be obtained from the Rural Electrification Fund.

19. Electricity from cogeneration should be part of the base load and not just demanded during peak hours since electricity generation depends on cane crushing. It is not economical to make an investment of only 6 hours during peak hours.

20. Cogeneration was one way of diversifying the energy sources, which is now very crucial as a result of persistent drought in the region.

21. The Stakeholders were in favour of the project and expressed interest in taking part when implementation starts.

22. The project is expected to commence in the third quarter of 2006.
MIN 4 CONCLUDING REMARKS AND THE WAY FORWARD

- The presentation will be circulated to participants by email.
- Minutes of the meeting shall be prepared and circulated.
- Stakeholders will send written comments on the project to MEMD.
- Government will prepare an endorsement letter for the project and send it to UNEP and copied to AFREPREN.
- The Sugar Factories are to write separate endorsement letters on the project to enable the endorsement by GEF (sample is in the appendix).

The meeting was officially closed at 12.45 pm.
## Programme

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<tr>
<th>Time</th>
<th>Activity</th>
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<tbody>
<tr>
<td>9.00 – 9.15 a.m.</td>
<td>Arrival and Registration</td>
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<tr>
<td>9.15 – 9.20 a.m.</td>
<td>Introductions</td>
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<tr>
<td>9.20 – 9.30 a.m.</td>
<td>Opening Remarks by the Chair</td>
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<tr>
<td>9.30 – 10.30 a.m.</td>
<td>Overview on the Cogen Project for Africa</td>
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<td>10.30 – 10.45 a.m.</td>
<td>Tea Break</td>
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<td>10.45 – 12.00 a.m.</td>
<td>Reactions from the Stakeholders</td>
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<td>12.00 – 12.30 a.m.</td>
<td>Concluding Remark and the Way Forward</td>
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<tr>
<td>12.30 – 1.30 p.m.</td>
<td>Lunch</td>
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# NATIONAL CONSULTATION SESSION FOR “COGEN FOR AFRICA” PROJECT

**Equatorial Hotel 17 February 2006**

## Attendance

<table>
<thead>
<tr>
<th>Name</th>
<th>Company/Organisation</th>
<th>Contact</th>
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<tr>
<td>John Mukasa Kyasa</td>
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<td>Simon Lubowa</td>
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Dear Mr. De Bakker,

RE: COGEN FOR AFRICA PROJECT

We refer to the subject project documents, which we received from your office, and the meetings with the UNEP representatives for the project, the Lead Cogeneration Expert and the Project Coordinator, regarding our participation in the project.

On behalf of .............. Sugar Company, we would like to confirm our interest in participating in the Cogen for Africa Project. The project is very timely and will greatly assist in overcoming the barriers to the development of cogeneration in Kenya.

............ Sugar Company currently owns and manages ----- ha. of sugar cane plantation and is in the advanced stages of establishing a sugar factory, which will incorporate a co-generation unit. The sugar factory will have a capacity of ........ tons of cane per day with a total planned investment in the order of US$______. ........ Sugar Company is prepared to provide the required funds as equity for the project and the necessary efforts/commitments to supplement these funds from other relevant sources. A feasibility study for the sugar factory has already been undertaken, and includes an assessment of the cogeneration potential.

We envisage that the Cogen for Africa project will assist .............. Sugar Company bring its plans for an efficient and environmentally sound Sugar factory to fruition. The project will be instrumental in assisting ............. Sugar Company in the following specific areas:

- Undertaking detailed pre-feasibility/feasibility study on the cogeneration component, which builds on the factory-wide feasibility study already undertaken
- Advising on financing models and financing opportunities
- Establishing contact with co-financiers and assisting in financial packaging
- Negotiating a viable power purchase agreement
- Lobbying policy makers for more favourable policy and regulations

We are enclosing the feasibility study undertaken for ............. Sugar Company, as an input into the project preparation phase (PDF-B).

We look forward to collaborating with you on this project. Please keep us updated on progress with the project development, and let us know if you require additional information.

Yours sincerely,

Mr. XX YYY
Chairman
............. Sugar Company

Mr. BBB KKKK
Director