AFREPREN/FWD COGEN FOR AFRICA PROJECT

15TH PROJECT STEERING COMMITTEE (PSC) MEETING

Date: 01st September 2011
Time: 1335h – 1540h Nairobi Time
Venue: Intercontinental Hotel, Nairobi, Kenya

Participants:

1. Mr. Youssef Arfaoui (AfDB)
2. Mr. Conrado Heruela (UNEP) Via Teleconference
3. Mr. Stephen Karekezi (AFREPREN/FWD)
4. Mr. Lugard Majoro (AFREPREN/FWD)
5. Ms. Agnes Naluwagga (AFREPREN/FWD)

Agenda Items: (in order of priority)

1. Mid Term Review (MTR) Recommendations:
   a) Training
   b) Budget extension and Endowment fund
2. Project Implementation Review (PIR) and Workplan
3. Investments Requesting Co-financing Grants:
   a) SaoHill Energy/Green Resources, Tanzania
   b) Mpanga Tea Uganda
   c) Possible Geothermal-based Cogeneration Development in Kenya
4. Tentative Date & Venue for Next Project Steering Committee Meeting
5. A.O.B
Draft Minutes of the 15th Project Steering Committee (PSC) Meeting of the AFREPREN/FWD Cogen for Africa Project

Preamble

The Agenda was reviewed and approved for discussion. It was agreed that minutes of previous meetings would be reviewed in the next face to face meeting.

Agenda Item 1a: MTR Recommendation on Training

The meeting reviewed in detail the rationale for in-depth training and lower numbers. The PSC meeting reviewed and approved the following:

1. Cumulative training target for Cogen Project to be increased to 120 with 20 receiving in-depth training
2. Focal Areas for In-depth Training / Study Tours: Steam Turbines, Boilers, Operation and Maintenance, Spare parts and procurement of cogen systems, Feedstock Sustainability and Other areas that may arise based on needs of prospective and future cogen investments.
3. Criteria for selection of study tour sites and trainees: Participants from priority cogen investments, Cogen project country coverage, Cogen project staff – to enhance cogen knowledge & ascertain value of study tour sites & training facilities, Policy makers/regulators – assist in accelerating cogen investments & ensuring feedstock security and sustainability, Spare parts suppliers/manufacturers (to refocus past work on local spare parts manufacture to training related to spare parts supply and manufacture)

In addition, the meeting recommended the use of existing cogen installations for study tours and approved the suggestion to allocate Cogen Project budgetary resources towards the installation of a small-scale pilot cogeneration system (in kW range) for both training, capacity building and demonstration purposes. Subject to stakeholders needs, preference would be given to installing the small scale pilot cogen system in a functional commercial setting that would allow demonstration of the economic viability of small scale cogen plants.

The need for training focusing on increased feedstock sustainability was also emphasized. It was recommended the Cogen Project works closely with the Ministries of Agriculture, sugar companies and out growers to address the issue of feedstock sustainability and security.

Agenda Item 1b: MTR Recommendation on 2-year Budget Neutral Project Extension and Endowment Fund

The meeting formally approved the 2-year budget neutral project extension and recommended that the requisite budget and workplan review be submitted to UNEP as soon as possible in line with the following key budgetary priorities that were submitted to and approved by this PSC meeting:

1. More in-depth targeted and specialized training for cogen investment-related stakeholders and Cogen project staff team to take on key project development tasks (e.g. feasibility studies for smaller scale cogen systems) plus more policy/regulatory/assessment work related to feedstock sustainability/security as stated in PSC approvals in Agenda 1a.
2. Pre-financing of cogen project-related and potential co-financed AFREPREN/FWD projects/fund-raising activities that would enhance Cogen project sustainability.

3. Greater emphasis on small-scale cogen systems.

4. Increased use of regional/national experts/in-house AFREPREN/FWD Cogen Project team.

5. Rationalization or optimization of roles and budget-lines of key project staff to fit better with the approach proposed by the MTR and UN budgetary/remuneration guidelines.

However, the meeting recommended that the Endowment fund needs to be carefully reviewed by UNEP thus the Cogen Project team was tasked with developing a concept paper which will be forwarded to UNEP for review. To enable Cogen Project activities to progress (many activities where on hold pending completion of mid-term review), the meeting agreed on the following three-pronged approach:

1. Proceed with the current project plan as is whilst incorporating the approved MTR recommendations and Cogen Project to submit a request for the outstanding grant disbursement to UNEP to allow project activities to restart in earnest.

2. Undertake a budget/workplan review for the 2-year budget-neutral extension for submission to UNEP as soon as possible in line with aforementioned new budgetary priorities and MTR recommendations.

3. Develop a concept paper on the Endowment fund to be reviewed by UNEP in due course.

**Agenda Item 2: Project Implementation Review (PIR) and Workplan**

The new proposed PIR structure, which had been optimized while focusing on the essential elements of the Cogen for Africa project, was presented to the meeting. The proposed structure was approved by the meeting, however, it was recommended that under Outcome 4, the target on establishment of an endowment fund is dropped since it is yet to be reviewed and approved by UNEP. The updated PIR and associated work plans will be limited to the following pared-down list of targets/indicators:

**Outcome 1: Capacity Building**

1.1 Five (5) or more fuel resources assessment studies prepared/updated by project end.

1.2 A cumulative total of 120 persons trained with 20 receiving in-depth training.

1.3 Subject to stakeholders need, construction of one (1) small scale pilot cogen system (in kW range) for training and demonstration purposes.

1.4 At least one (1) cogen study tour per year that is closely linked with ongoing and planned cogen investments.

**Outcome 2: Financing for cogeneration and related-energy efficiency investments**

2.1 Minimum of one (1) financing institution or financing scheme for cogeneration investments in the region by end-of-project.

2.2 Approval or provisional approval of a minimum of US$60 million for cogen investment by end-of-project.
**Outcome 3:** Demonstration Commercial Cogeneration Plants

3.1 A total of 40MW (both electrical and heat name-plate generation capacity) by project end.
3.2 Cumulative total of 12 or more cogeneration investment packages (CIPs) developed and promoted.

**Outcome 4:** Pro-cogeneration policies and regulatory measures promoted and submitted to relevant authorities

4.1 Cumulative total of 4 or more polices/regulations (e.g. Feed-in Tariffs, standard PPAs, feedstock zoning regulations, etc) promoted or submitted to relevant authorities in 3 or more Cogen project countries.
4.2 Cogeneration plans promoted or submitted to 3 or more Cogen project countries.

**Agenda Item 3:** Investments Requesting Co-financing Grants

**a) SaoHill Energy/Green Resources, Tanzania**

Details of the proposed 15MW cogen project by Saohill Energy Limited were presented to the meeting.

The proposed area of co-financing to be approved by the PSC meeting was the study on ‘Assessment of standing volume & harvesting in Sao Hill Forest Plantation’ at an estimated cost of **USD 50,000** though the consultants to conduct the study were yet to be shortlisted and selected.

The meeting was advised that providing co-finance grant support for this Tanzania-based cogen investment would widen the regional and sector coverage of the Cogen project which was a key recommendation of the MTR.

The meeting approved the provision of co-financing for Sao Hill’s feedstock availability study to a tune of 70% (i.e. US$ 35,000) subject to:

1. Submission of a competitive consultant short listing and selection process.
2. Provision of more information on how Saohill Energy Limited was going to secure the envisaged 10% grant contribution to finance the proposed cogen plant.
3. Submission of a letter showing commitment to implement the proposed cogen project.
4. Provision of more information on the transmission line project which is expected to be financed by the Norwegian Government.

**b) Mpanga Growers Tea Factory, Uganda**

Details of the planned cogen project at Mpanga Tea were presented to the meeting. The company received proposals for the Feasibility study from three consultants, i.e. Consultec Group (Mauritius), Avante Garde (India) and Biomass Technology Group, BTG (Netherlands). After review of the three (3) submitted proposals/quotations, it was recommended that Consultec Group conducts the Feasibility study at a cost of USD 34,750.
The PSC meeting approved provision of co-financing for Mpanga’s Feasibility study to be undertaken by the Consultec Group of Mauritius to the tune of 70% (i.e. US$ 24,325) subject to;

1. Including a brief analysis of gasifier technology in the Terms of Reference for the Feasibility study.

2. Ensuring that an analysis of Feedstock sustainability is incorporated in the Feasibility study (could also be undertaken by Mpanga Tea Ltd).

3. Revision of the price (USD 10,000) submitted for provision of AUTOCAD drawings of layout of the boiler house area (incase Mpanga does not have the required drawings, it can engage a local consultant at a much lower price).

c) Possible Geothermal-based Cogeneration Development in Kenya

The meeting discussed the possibility of promoting small-scale geothermal-based cogeneration development designed to benefit low income communities in the surrounding areas. Previous discussions with the Managing Director of the Geothermal Development Corporation showed great interest in this initiative.

The meeting endorsed, in principal, the idea of promoting small-scale geothermal-based cogeneration development but underlined the need to focus on the application side that benefits low-income communities and to ensure that the Cogen Project does not replicate other ongoing grant supported large power generation geothermal projects financed by multilateral and bilateral development agencies.

Meeting recommended further discussion with the Managing Director of the Geothermal Development Corporation to clearly establish the role or possible interests of Cogen for Africa project followed by further consultation with PSC for guidance on the way forward.

4. Agenda Item 5: Tentative Date and Venue for Next PSC Meeting

The date and venue of the next PSC Meeting will be agreed by all PSC members via email exchange.

5. Agenda Item 6: A.O.B

The meeting discussed the possibility of supporting hybrid power systems that combine cogeneration with small hydro or other energy options. The James Finlays cogen system developed with the Cogen for Africa project support is part of a wider mini-grid system that includes small hydro and imports from the grid. Meeting encouraged the Cogen for Africa to consider the hybrid-option in its investment pipeline for future review and consideration.

There being no other issues, the meeting was adjourned at 1540h Nairobi time.