

## FP039 Egypt Renewable Energy Financing Framework (EBRD), Egypt

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### *CSO comments on the project given as intervention during the 16<sup>th</sup> GCF Board Meeting, April 2017*

We welcome that this proposal intends to invest significant amounts in Egypt's transition to renewable Energy. It is aligned with the country's objective to generate 20% of its electricity from renewable sources by 2022.

However, we have some important concerns including the following:

- Renewable energy projects financed under this proposal will benefit from the feed-in-tariff, providing them with long-term power purchase agreements and guaranteeing the purchase of all their outputs for their entire lifetime. However, the proposal summary does not provide information on how the FIT will be financed nor the major provisions of the power purchase agreements, and how all these will impact on electricity tariffs. It is very important to have this information to assess the broader development impacts. It needs to be ensured that the PPAs and electricity tariffs are structured in such a way that the project will not lead to additional burdens on low income consumers.
- We would like confirmation that -- as a category B project -- no category A sub-projects are allowed under this framework and that projects under the framework will be following GCF information disclosure provisions and be published on the EBRD website and ideally also on the GCF website at least 30 days prior to approval.
- The technical assistance component is crucial, because it supports the further development of a policy framework for renewable energy, planning for integrating RE into the grid, capacity building for Egyptian institutions and the promotion of gender equality. Given how important these issues are and given the overall size of the proposal, \$7 million for this component seems small.
- We note that subcomponent b) under component 1) ("enhancing capacity for administering RE tenders") states that "This element could be extended to provide support to investors and financiers in the preparation of the subprojects." This could lead to conflicts of interest (i.e. advising both the authority assessing the tenders and project developers submitting tenders) and distracts from the important task of strengthening Egyptian institutions to ensure good governance of the RE sector. We would recommend not pursuing this proposed extension and keeping the focus on the strengthening of administrative capacity.

- We note that the project objective is very explicitly about its aim of expanding private sector involvement in the electricity sector. It is very important to know the government's plan for enhancing and ensuring effective and efficient regulatory mechanisms and policies given this objective.

We would also like to request clarifications on two issues:

- An estimate of jobs benefits is provided (page 17), but it is not clear where this estimate comes from. Furthermore, it is not clear if any measures are envisaged to promote local jobs and local value creation, e.g. requiring local content in the projects financed under the framework, support for job training, etc.
- All of the PV projects seem to be concentrated in one region, which could have significant impacts on the local population and on water resources. What is the justification for this concentration? Have alternative, more decentralized approaches been considered?

### Conditions

We propose the following conditions:

- The proponent be asked to submit:
  - A revised plan for component 1) with an increased budget and an additional subcomponent that promotes local job creation. The budget for subcomponent 2) is to be reduced accordingly.
  - Information on the major provisions that will be included in the power purchase agreements and on plans for financing the FIT, and a study on the impact of the proposed projects on electricity consumers, accompanied by a plan mitigating the impact on low income ratepayers.
  - Plans for enhancing regulatory mechanisms and policies over private sector involvement in the electricity sector.
- The proponent be asked not to use grants under subcomponent 1c) to support investors and financiers in the preparation of subprojects.